FEDERAL SALARIES AND FRINGE BENEFITS

HEARINGS

BEFORE THE

SUBCOMMITTEE ON COMPENSATION

OF THE

COMMITTEE ON

POST OFFICE AND CIVIL SERVICE

HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

SECOND SESSION

ON

H.R. 12094 and related bills

BILLS TO ADJUST THE RATES OF BASIC COMPENSATION OF CERTAIN OFFICERS AND EMPLOYEES OF THE FEDERAL GOVERNMENT, AND FOR OTHER PURPOSES

MARCH 7, 8, 9, 11, 14, 15, 16, 18, 21, AND 23, 1966

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FEDERAL SALARIES AND FRINGE BENEFITS

MONDAY, MARCH 7, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMPENSATION OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 2 p.m. in room 346, Cannon Building, Hon. Morris K. Udall (chairman of the subcommittee) presiding.

Mr. UDALL. The Subcommittee on Compensation will come to order.

This session was called today for consideration of H.R. 12094 and related bills H.R. 12240, H.R. 12288, H.R. 12489, H.R. 12824, and H.R. 12838. From time to time I am sure we will be receiving other legislation relating to Federal compensation and related proposals for the year 1966.

It became apparent in the last few days, after these hearings had been scheduled, that the recommendations of the administration this year might well include some improvements and changes relating to retirement, insurance, and other features of compensation, other than direct compensation.

For this reason the various members of the committee consulted and agreed it would be helpful and fair and desirable and necessary to have sitting with us at these hearings the members of the Subcommittee on Retirement, Insurance, and Health Benefits, one of our most active and able subcommittees, headed by the gentleman from New Jersey, Mr. Daniels. So I wanted to announce that in the beginning.

Mr. Daniels and members of his subcommittee will be full participants in these hearings. We welcome them. They will have all of the rights and privileges of the members of the Subcommittee on Compensation, which originally called these hearings. And we will work out their participation in the development of whatever finally emerges from these hearings.

The Chair wishes to announce that there have been a number of changes in the scheduling of our hearings. It is the intention of the Chair to proceed rapidly, but with due diligence and consideration of all points of view of those who wish to be heard here, with a view in mind of trying to conclude these hearings in about 3 weeks.

So, I warn the members of the two subcommittees that hearings will be frequent and fairly regular, to try to get the job of writing the record and taking all of the testimony that there is to be taken within the next 3 weeks or so if we can.

We had to reschedule Mr. Macy's testimony, which we will hear this afternoon. It was originally scheduled for this morning at 10 o'clock. Mr. Murphy, the Assistant Postmaster General, Bureau of Personnel, agreed to present his testimony tomorrow instead of today.

The schedule is as follows: Today we will hear Mr. Macy. Tomorrow morning at 10 o'clock we will hear Mr. Murphy, from the Post Office Department, to present that Department's views on the pending legislation.

I would caution those who are interested that tomorrow morning's hearing will not be in this room. It will be in room 215 in this building, which is the old committee hearing room.

On Wednesday we will be back in this room at 10 a.m. We have scheduled President Jerome J. Keating of the National Association of Letter Carriers as the leadoff witness that morning.

On Friday of this week we will have another session here, so only tomorrow morning's session will be in room 215.

With these opening announcements, we will proceed without delay to the testimony of Hon. John W. Macy, Jr., Chairman of the U.S. Civil Service Commission. Mr. Macy, we are happy to have you with us today. I understand you have a prepared statement.

Mr. DANIELS. Mr. Chairman, may I be recognized?

Mr. UDALL. Just a moment.

Mr. Macy, you have a prepared statement consisting of 14 pages. Do you prefer to read it or have it inserted in the record as though read and then summarize it?

Mr. MACY. I would appreciate it if I could read it in full, Mr. Chairman.

Mr. UDALL. Fine. I am sure it is important. It might be well to take that time.

The gentleman from New Jersey.

Mr. DANIELS. As chairman of the Subcommittee on Retirement, Insurance, and Health Benefits, I would like to mention that while I had knowledge of this meeting being scheduled for today, it was scheduled for 10 o'clock this morning, and then postponed to 2 o'clock this afternoon. I want to compliment the gentleman from Arizona on proceeding diligently and without delay, in his usual manner, but I wish to make the observation, in all fairness to the subcommittees involved in this legislation, that we were not furnished with copies of any statements.

The only statement I have had prior to this hearing was the statement that was sent by the President, Lyndon B. Johnson, to the House of Representatives today, which was read by the Clerk. In that statement the President refers to the fact that his recommendations should be taken into consideration with other studies—one, the report of the Cabinet Committee on Federal Staff Retirement System, and two other reports, one of the Bureau of the Budget to the President and also one by Mr. Macy of the Civil Service Commission to the President.

Now I imagine from what I have heard that these reports are voluminous, but I have no knowledge of what they contain. I don't know what recommendations have been made, and I don't see how we can properly question Mr. Macy or any of the witnesses appearing on behalf of any of the Government agencies here until we have had an opportunity to read these reports, to study them, and to really analyze what recommendations are being made to this committee.

So, if it is the Chair's opinion that he should proceed with dispatch today, then I respectfully request that I and the other members of the committee be given ample opportunity to question Mr. Macy and the other Government witnesses, and, since we are not in a posi-

tion to do that today, that they be instructed to return here at some future date so we will have that opportunity.

Mr. UDALL. The Chair appreciates the gentleman from New Jersey, who is a real authority on this subject, raising this question publicly as he did privately with me a moment ago.

Mr. Macy has been most cooperative and I am sure he wouldn't want us to begin to legislate until we have had a full opportunity to study the documents the gentleman refers to.

I am also sure that, if after studying them the gentleman from New Jersey wants to ask further questions, Mr. Macy would be delighted to return. The Chair will certainly see that the gentleman from New Jersey has every opportunity of that nature.

Mr. DANIELS. Thank you, Mr. Chairman.

Mr. UDALL. Mr. Macy, I am told that on page 13 of your statement, in the first line, the date January 1, 1968, should read January 1, 1967. Is that correct?

Mr. MACY. That is correct, yes, sir.

Mr. UDALL. I have corrected my copy accordingly. The official reporter will do so, and I am sure the members wish to do so. On page 13, in the first line, change 1968 to 1967.

You may proceed, Mr. Macy.

STATEMENT OF HON. JOHN W. MACY, JR., CHAIRMAN, U.S. CIVIL SERVICE COMMISSION

Mr. MACY. Thank you very much, Mr. Chairman.

I want to, at the outset, express my appreciation to you for your courtesy in arranging the schedule for this hearing to permit the President's message to be received. I also want to respond to Chairman Daniels' point with respect to the magnitude of the documents that are before you with respect to this legislation.

Let me assure you that I would be happy to return for whatever questioning or discussion is desired by any member of the committee. I recognize fully that this is a very substantial program that is advanced here, and it is the desire of the administration that there be the fullest possible response to any questions that may be raised concerning it.

Mr. Chairman and members of the committee, I appreciate this opportunity to open your hearings on the 1966 proposals for Federal employee pay and benefits and to present the President's program in this important field.

Mr. Chairman, I believe you have before you the President's message of this date. It may be that you would wish to insert this message in the record at this point.

Mr. UDALL. The Chair will ask unanimous consent that the message of the President of the United States, dated today, March 7, referred to by the witness, appear in the record at this point. Without objection it is so ordered.

(The President's message follows:)

THE WHITE HOUSE,
March 7, 1966.

To the Congress of the United States:

Among the many blessings which Americans can count is a corps of Federal civil servants that is unequaled anywhere in the world. Honest, intelligent, efficient, and—above all—dedicated, these men and women represent a national resource and a national asset.

America expects much of these public servants. We have made vigorous demands on their time and energy. We have exacted from them high standards of work and conduct.

In recent years, we have moved steadily to compensate these men and women equitably and competitively for their quality performance in the public interest. To that end, the administration prepared and the Congress enacted, the Federal Salary Reform Act of 1962. We established the principle that Government workers are entitled to a pay scale which compares favorably with pay in private industry.

Such a pay scale is as much in the national interest as it is in the interest of Government employees. I said when signing the Government Employees Salary Reform Act of 1964:

"America's challenges cannot be met in this modern world by mediocrity, at any level, public or private. All through our society we must search for brilliance, welcome genius, strive for excellence."

We have been true to the principle of comparability. Since 1961, the pay of Federal employees has increased by over 16 percent.

In the brief period since I have been President, employees of the Federal Government have enjoyed pay increases amounting to nearly 12 percent. These increases have done much to close the gap between compensation for Government employees and those in private enterprise.

The increases in basic pay, however, were not accompanied by any significant benefits in forms other than salary. Yet pay, retirement, and other fringe benefits are all parts of an employee's total compensation. Recognition of this basic fact is crucial in developing a rational and equitable system of compensation. Neither pay, nor retirement, nor other fringe benefits can be considered in isolation. For all of them together represent the worker's real reward.

The proposals which I am making today reflect this consideration.

I propose increases in Federal compensation of $485 million per year.

I am asking the Congress to enact legislation which will provide an average increase for Federal civilian employees amounting to 3.2 percent of total compensation.

On the average, direct salary increases will amount to 2.85 percent. The other increases are for fringe benefits to assist the Government employee in providing for his own economic security.

In considering these proposals, I urge careful study of the supporting data and background information contained in the two reports transmitted with this message:

1. The report of the Cabinet Committee on Federal Staff Retirement Systems, prepared in response to my request of February 1, 1965, for a review of Federal retirement policies and benefits.

2. The annual report to the President of the Director of the Bureau of the Budget and the Chairman of the Civil Service Commission on the comparison between Federal civilian pay levels and those in private enterprise—as required by law.

I also urge the Congress to take into account two other considerations of utmost importance to the Federal employee—and all wage earners—and the Nation as a whole:

The wage-price guideposts which are key weapons in our defense against inflation, and

Sound and responsible Federal fiscal policy.

Both of these considerations weighed heavily in my mind as I studied various possible recommendations to make to the Congress this year. For nothing will destroy the progress of the Federal employee in his efforts to achieve comparability more effectively than the erosion of inflation.

PAY

I recommend to the Congress the enactment of a pay raise for Federal employees—effective January 1, 1967—ranging from 1 to 4½ percent.

With these increases, nearly 1 million of the 1.8 million employees affected will achieve pay comparability with private enterprise. These employees include about 88 percent of all postal workers and the more than 47,0000 Classification Act employees in grades GS-1 through GS-5.

The smallest increase of approximately 1 percent will go to the lowest of the two grades of the classification system which are already above comparability. The modestly higher increases will go to the relatively few upper grades where

the current comparability difference is larger and where, accordingly, our recruiting difficulties are greatest.

RETIREMENT

I shall not detail in this message all of the changes recommended by the Cabinet Committee on Federal Staff Retirement Systems. The report speaks for itself clearly and succinctly. I endorse it.

I call particular attention to three proposals which I believe to be most urgent. These are:

1. Those who reach age 55 with 30 years of service, should be allowed to retire without reduction in annuity. The Government should also have the option to retire involuntarily, at age 55, employees in grades GS–13 and above who have 30 or more years of service.
2. We should guarantee that retirement, disability, and survivor benefits are at least equal to benefits payable under the old-age and survivors disability insurance program of the social security system.
3. We should provide for the transfer to the social security system of service credits of employees who die, become disabled, or leave Federal employment before becoming eligible for Federal retirement system benefits.

I recommend that these three proposals, like the basic pay increases, be made effective January 1, 1967.

I also recommend:

The enactment into law of a clear statement of retirement policy, as set forth in detail on pages 10 and 11 of the Cabinet Committee's report.

Adjustments between the civil service and the foreign service retirement systems.

The ultimate costs of all of the proposed changes in the retirement systems are set forth in tabular form on pages 21 and 22 of the Committee's report. This report also contains a sound financing plan. It is essential that we place our retirement system on a sound basis of financing as soon as possible.

I recommend that financing provisions be enacted as a part of the retirement legislation, including a 0.5-percent increase in contributions of both agencies and employees, effective January 1, 1967.

The report of the Cabinet Committee does not deal with changes in the military retirement system. Although the Committee reviewed important aspects of military retirement, it agreed with the Secretary of Defense that recommendations for fundamental changes should wait completion of a broad management study now underway in the Department of Defense.

The retirement report and the recommendations for legislation presented by it are major steps forward in our continuing efforts to improve the compensation system for Federal employees. In my judgment, they are equal in importance to the 1962 Federal Salary Reform Act.

OTHER BENEFITS

I recommend a phased 2-year increase in the Government's contribution to our civilian health benefits program.

The first increase should be effective on January 1, 1967; the second on January 1, 1968. These increases would restore the ratio of costs to the Government and costs to the employee established by the original Health Benefits Act, of 1959.

The effective date of other important adjustments in our retirement system should be deferred for at least another year. The most important of these are to:

1. Extend medicare to Federal civilian employees.
2. Continue benefits until age 22 for those surviving children of deceased Federal employees who are continuing their education.
3. Compute benefits on the basis of a guaranteed disability minimum to widows of employees who die after retirement for disability.
4. Continue benefits for a surviving widow if she remarries after age 60.

NEED FOR NEW KNOWLEDGE

If we are to continue to modernize our policy of total compensation, we need better information than is now available. We must examine all of the fringe benefits in our compensation system. These include leave, holiday pay, special pay differentials, unemployment insurance, Federal Employees' Compensation Act benefits for duty-related accidents and illness, health benefits, life insurance, and counterpart benefits prevailing elsewhere in our economy.

I am recommending that the Congress appropriate funds for collection and evaluation of information on non-Federal fringe benefits in the budget of the Department of Labor for 1967.

CONCLUSION

The measures I am proposing meet the test of fairness to our employees. They also meet the test of economic responsibility.

For the past many months, the Government has appealed to labor and industry alike to hold price and wage increases within the guideposts established by the Council of Economic Advisers.

If our Government is to exercise continued leadership in the fight for price stability, then we must continue to practice what we preach. The Government has the added responsibility of not contributing to inflation by its own actions.

With 5 years of unprecedented economic expansion, our industry is now operating near the peak of its capacity. Added to this, we now have the obligation to support our fighting men in Vietnam and our commitment to freedom there.

This administration has already proved that our Nation does not have to live with depression or recession. Now we must prove that we can remain both strong and prosperous without endangering our economic stability.

Goverment employees have a direct stake in this effort. For none is more harmed by inflation—and harmed more quickly—than the wage earner and the salaried employee. It is of small value to him if the extra dollar he earns buys less and less with every passing week.

We are the wealthiest nation in history. We can afford whatever is necessary for both our welfare at home and our common defense abroad. But we can do this only by the exercise of fiscal prudence and economic responsibility during times when special demands are being made on our economy by the military needs of Vietnam.

I am certain that both Government employees and the leaders of their organizations will recognize that restraint serves both their cause and the national interest. They will recognize that these proposals meet three essential requirements:

First, that taken together, pay, retirement, and health benefits amount to an increase of the maximum total compensation increase within the wage-price guidelines.

Second, that the major increases will go to those Federal workers whose compensation is least compatible with private enterprise.

And third, that these proposals move the entire pay scale toward full comparability in an orderly manner.

The annual cost of these proposals will amount to $485 million. If they are made effective on January 1, 1967—which I urgently recommend—the cost for the next fiscal year will be $240 million. These costs are fully provided for in the budget which I submitted to the Congress in January.

The Federal Government is the largest employer in the Nation. The largest employer has an undeniable responsibility to lead, and not merely to follow, in instituting and adhering to model employment practices.

A model employer can demand excellence in performance. A model employer can demand continuing awareness of the need for greater productivity, more imaginative conduct of Government programs, and substantial cost reduction. We have made those demands.

Federal officers and employees at all levels have responded with enthusiasm and skill. If they had not been determined to improve the efficiency and economy of Government operations, budget costs in both 1966 and 1967 would be some $3 billion higher than they are.

By the close of this fiscal year, the total compensation for our 2½ million Federal civilian employees will be $20.4 billion a year. With expenditures of such magnitude, the President, the Congress, and Federal employees themselves, cannot fail to give the most careful consideration to every adjustment in pay, retirement, and health benefits. Each proposed adjustment must not only be merited, it should also be consistent with the principles of sound government.

LYNDON B. JOHNSON.

Mr. MACY. Thank you, Mr. Chairman.

At the President's request, I shall shortly transmit the drafts of the legislation necessary for placing this program into effect.

GROSS COMPENSATION

The proposals affect both salary and supplementary benefits, which are the elements of gross compensation of the Government's personnel. I should like to emphasize at this point the interrelationship of all forms of compensation and the necessity from now on for considering the effect on gross compensation whenever a change is proposed in any of its elements. With supplemental benefits becoming an ever larger portion of the total compensation of employees and of total labor costs, in Government as in industry, we can no longer disassociate salary and the other elements of the total reward of the worker.

In adjusting the compensation of its employees, the Government is acting as an employer, and as the country's largest employer. It is essential that the Government's actions in this capacity conform with national policies which other employers are expected to follow. The President's Federal pay proposals have been carefully drawn so as to be within the economic guidepost that total compensation increases in private enterprise are expected to follow in the interest of a stable economy. This feature of the proposals will be discussed further by the Director of the Bureau of the Budget when he appears before you.

The administration's 1966 compensation proposals consist of three key elements:

1. Statutory salaries.
2. Health benefits.
3. Retirement benefits.

First, I shall address myself to the proposed adjustment of Federal statutory salary schedules in accordance with policies and procedures of the Federal Salary Reform Act of 1962.

I. Adjustment of Statutory Salary Schedules

Present Classification Act salaries are somewhat above or equivalent to 1964 private enterprise salary levels at the lower grades, up through GS–5; they then gradually drop back below private enterprise levels at the middle and upper GS grades.

The adjustment proposed by the President would continue to maintain full comparability at grades up through GS–5, bringing those rates up to private enterprise salary levels most recently reported by the Bureau of Labor Statistics, in the survey report released in November 1965. At grades above GS–5, where comparability was not attained in the 1965 adjustment, the new schedule would move part way toward private enterprise levels.

For the most part, from grade GS–9 through grade GS–14, the increases amount to 37.5 percent of the difference between present Federal and private enterprise rates. Because of the enlarging difference, the percentage increases become greater at the higher grades in this span. Proposed increases become smaller at GS–16, GS–17, and GS–18, however, because of the proximity of their present salaries to level V of the Federal executive salary schedule.

Thus the percentage increases at the various grades range from 1 percent at grades GS–1 and GS–2 to 4.5 percent at GS–15, then drop to a lower rate at the top three grades. These increases would result in Classification Act salaries equivalent to private enterprise rates at grades up through GS–5.

The Bureau of Labor Statistics report released in November 1965 shows greater increases in private enterprise pay for professional and administrative occupations than for clerical workers. This has been a continuing trend over the past 4 years. The 1965 BLS report summarizes the 4-year trend of private company pay rates for three occupational groupings as follows:

Increase in salaries, 1961–65	*Percent*
Clerical	10.6
Lower professional and administrative	13.7
Higher professional and administrative	15.2

Comparisons of Federal salary levels with those in private firms as shown in the latest BLS findings take this trend into account. To do so involves changing slightly the pattern of grade-to-grade salary progression in developing the Classification Act salary rates which would represent full comparability with private enterprise rates. The new pattern fits more closely the rates reported by BLS for work levels in private industry equating with grade levels of the Classification Act.

Comparable adjustments are proposed for the postal service, Foreign Service, and Veterans' Administration medical pay schedules.

Proposed schedules would bring postal salary scales fully up to the private enterprise standard at all levels up through PFS–4. These levels include about 88 percent of all postal employees. In addition, pay for more than 470,000 Classification Act employees in grades up through GS–5 would also meet this standard. Altogether, nearly 1 million employees of the approximately 1,800,000 affected by the President's proposals would achieve full pay comparability with private enterprise.

PAY SUMMARY

The proposed adjustment of salary schedules would provide an average increase of 2.85 percent over all schedules. Thus the adjustment approximates the average difference between private enterprise pay levels shown in the most recent Bureau of Labor Statistics survey report, for 1965, and private enterprise levels shown in the 1964 survey report, which was the latest available when current statutory schedules were enacted. The increases would be distributed among Federal grade levels consistently with the differing rates of increases at different salary levels in private enterprise repeatedly shown by Bureau of Labor Statistics annual surveys.

The annual cost of the proposed pay adjustment totals approximately $379 million. This total includes $261.8 million for the Classification Act, $103.8 million for the Postal Field Service, $6.1 million for the Foreign Service, and $7.6 million for the Veterans' Administration medical pay system.

For budgetary reasons in the face of increased expenditures for Vietnam operations, the President asks an effective date of January 1, 1967, for the salary adjustment.

II. Increased Government Contribution for Health Benefits

When the Federal Employees' Health Benefits Act was passed in 1959, it provided that the Government contribution would be in a dollar amount which would be one-half of the cost of the less expensive of the low options of the two Government-wide plans. On

this basis, the Government's contribution has been pegged at $6.76 per month for a self and family enrollment, which is one-half the cost of the low option of the Government-wide Indemnity Benefit plan.

Because the cost experience of this option has been favorable, and because improvements in its benefits have been largely of a perfecting nature, the premium for this option has not increased since the beginning of the program. The same cannot be said of the high options in which 85 percent of participating employees are enrolled. Needed improvement of benefit provisions and, more importantly, a steady increase in the costs of medical care generally have driven up the cost of these plans year by year since the program started in 1960. Whereas in 1960 the Government contribution was, on the average, about 38 percent of the total cost of the program, it amounts today to less than 30 percent.

The President is proposing that the original ratio of cost sharing between the Government and the employee be restored in two annual steps. Half of the present gap would be closed effective January 1, 1967, and the other half on January 1, 1968. This would increase the Government's contribution from today's figure of $155 million to about $203 million, an increase of $48 million. Of this increase, some $34 million would be for employees under the four statutory salary systems covered by these hearings. This $34 million, in turn, would be divided equally so that $17 million would be added in 1967 and the other $17 million in 1968; therefore, in 1967 the monthly Government contribution would be increased for self and family enrollments, high option, from $6.76 to $7.82, and in 1968 to $8.88.

I would add this observation: Mr. Chairman, increases in health insurance premiums are inevitable; they are caused by the increasing cost and the increasing use of medical care; neither of which the Commission can control. In the absence of an increase in the Government's contribution, an increase in premium would be paid entirely by the employee and it would reduce his take-home pay. To the extent that the Government's contribution is increased, the employee's take-home pay is increased.

III. Improvements in the Retirement System

The Cabinet Committee on Federal Staff Retirement System has recommended, and the President has endorsed, as he indicated in his message today, a number of measures to improve the civil service retirement system. These consist of recommendations to increase protection for employees; revise age-service requirements for retirement; and, improve financing and funding of the retirement system.

In order that these improvements may be achieved in conformity with the President's economic guidepost, it is recommended that they be phased over a 3-year period beginning next January.

IMPROVED PROTECTION FOR EMPLOYEES

Two retirement recommendations of major importance are designed to shore up the protection of employees and their families, for those whose Federal service is short and for those who shift between Federal and non-Federal employment. The principle underlying these two

recommendations is that the retirement system should assure, for Federal civilian employees and their families, a benefit that, combined with any social security benefit available to them from other employment at least equals the amount that would be available if their Federal employment had been covered by social security.

The first of the recommendations is for a transfer-of-credit arrangement with social security. Whenever a civil service employee or members of his family are ineligible for civil service retirement benefits at the time he dies, becomes disabled, or reaches retirement age, his credits would be transferred to social security and his Federal employment would be treated as if it had been performed under social security. This proposal would eliminate the possibility that an employee who works for the Government only a short time will receive neither civil service nor social security credit for his Federal employment.

The second recommendation is that employees and their survivors who do become eligible for civil service retirement benefits are guaranteed an amount from the civil service retirement system, or, if they are also eligible for social security benefits, from civil service and social security together, at least equal to the amount which would be payable if the Federal service had been covered under social security. This proposal would correct the existing situation under which a Federal employee who has contributed more toward the cost of his retirement than have those under the social security system may receive far lower, and frequently inadequate, benefits.

Mr. CORBETT. Mr. Chairman, may I ask a question at this point?

Mr. UDALL. The Chair would prefer that the witness finish the statement in full. I am afraid if I allow the gentleman from Pennsylvania to interrupt, all of the other members——

Mr. CORBETT. I won't do it again, but the question has to do with an understanding of what was just read.

Mr. UDALL. The Chair will, with some reluctance, admit the inquiry without setting a precedent.

Mr. ELLSWORTH. This is a ranking Republican member.

Mr. CORBETT. Mr. Macy, I have had a number of situations reported to me recently of people who might have 6, 7, or 8 years of Federal service, and then they go into non-Federal service. At what point in time would this breakoff come, whereby such people could transfer credits to social security? Now, 6-, 7-, or 8-year people might have been in the low salary groups, or something of the sort. Would this be an optional transfer, or is there a cutoff date at 5 years, or what is the plan?

Mr. MACY. At 5 years, Mr. Corbett, the civil service retirement system invests for the employee, so he acquires all of the benefits under the civil service retirement system. What is proposed here is that during those first 5 years he also acquires eligibility for social security. So that in the event that he loses his life during that period, the survivorship benefits under social security would be available to his survivors.

It also means that if he moves from Federal employment prior to the end of 5 years he will not lose coverage for that period, but would carry it over with him as a part of his eligibility for social security, and that the funds placed in the civil service retirement fund during that time would be transferred to the social security account in order

to cover his social security eligibility either at the time of retirement or in the event of the need for survivorship benefits.

Mr. CORBETT. Then the answer to the question is that the 5-year period is the breakoff point? Persons with 7 or 8 years of Federal service would not have this option; they would have to take their civil service retirement plus whatever they might get from social security for private employment?

Mr. MACY. But conceivably they might leave Federal service, even after the 6 or 7 years, and remain in social security until retirement and under this arrangement, these credits would be transferred for the social security annuity, and the individual would receive a civil service annuity at age 62 if he had left his money in the civil service account. So he would be drawing two annuity payments.

Mr. CORBETT. Yes. There is no option on the part of that person to put it all under social security?

Mr. MACY. No. But you see, under this proposal, there would be a benefit which we have described as the social security minimum, so that no one under the combination of these two systems would ever receive less than the social security minimum as a benefit.

If he remained in civil service retirement long enough to accumulate benefits, and those benefits were at a higher level than the social security minimum, would obviously receive those.

Mr. CORBETT. And he would obviously want to stay in the civil service retirement system.

Mr. MACY. That is right.

Mr. CORBETT. Thank you very much, Mr. Macy, and Mr. Chairman. I will not indulge again.

Mr. UDALL. The witness will proceed and the Chair has charged the gentleman from Pennsylvania with 5 minutes against the allotment he will receive later on.

Mr. CORBETT. I have learned all about deficit financing, and I suppose it will apply to time, too.

REVISED AGE-SERVICE PROVISIONS

Mr. MACY. For many years employees and employee organizations have sought retirement on full annuity at age 55 with 30 years of service. The Commission has consistently opposed such unilateral proposals because retirement at this age can work to the detriment of Government in some cases, yet previous proposals have afforded Government, as employer, no compensating benefits. We now recommend that optional retirement on full annuity be permitted beginning at age 55 after 30 years of service, and that Government, as employer, be allowed to initiate the option for employees at GS–13 and above. We also propose retirement age at 60 after 20 years of service.

IMPROVED RETIREMENT FINANCING

The most far reaching of the recommendations is one designed to improve financing and funding of the civil service retirement system. This goal, too, has become very important to employees and their leaders; it is equally important to Government, which must plan ahead and make orderly arrangements to meet the benefit payments as they become due. Financing methods have, therefore, been the

subject of extensive discussion with appropriate committees of Congress in the past. The President's recommendation for financing the system is a key one and is based on these fundamental premises:

Government and employees should share equally the normal costs of retirement, including normal costs of future liberalizations in the system;

Employee contributions and matching agency contributions should be raised as required to cover normal costs of future liberalizations; and

Government should meet remaining costs through special appropriations and through specific action to peg the trust fund at a predetermined level sufficient to assure prompt payment of all annuities as they become due in the future.

In previous presentations the Commission has pointed out that unless additional financing is provided, prospective trust fund resources will become inadequate to cover the system's future benefit obligations as they become due. Thereafter, in order to meet benefit disbursement, direct appropriations in substantial and progressively increasing amounts will be required annually. The financing recommendations of the Cabinet Committee are intended to avoid this eventuality and to preserve effectively the integrity of the system, and at the same time avoid:

First. The normal cost of existing benefits and future liberalizations would be shared equally through employee-agency contributions. Changes designed solely to improve personnel management would require an increase in agency contributions sufficient to cover the normal cost of such changes without increasing employee contributions. Thus, through normal cost financing, current annual contributions would cover the cost of accrued benefits that result from each year of active employment. It is quite appropriate to assess the Government's share of normal cost against current operating costs and to reflect them each year in agency budget requests.

Second. The unfunded liability—past service cost—that would result from future benefit liberalizations, wage increases, extension of coverage to new groups of employees, increases granted to annuitants—other than Consumer Price Index adjustments—or management changes would be financed entirely by Government, through direct appropriations rather than through agency budgets.

Authorization for annual appropriations in accordance with a 30-year amortization schedule would be specifically provided in all future pay raise or liberalizing legislation. The annual amounts requested would increase arithmetically in a manner roughly similar to the increases in benefit payments that would generally occur as a result of such liberalizations, pay raises, and the like.

Third. Permanent indefinite authority would be available for direct appropriations that would peg the fund at a predetermined level sufficient to maintain an ample margin of safety. If the fund fell below this pegpoint, an appropriation in the necessary amount would be automatically made.

In summary, this recommendation would provide: automatic and immediate action to finance retirement costs as they are incurred; full recognition of the retirement costs involved in pay and other legislation; and full assurance that future retirement benefits will be paid when due.

EFFECTIVE DATE

Action in several of these areas has, I recognize, been delayed awaiting completion of the Cabinet Committee's study. The recommendations I have discussed with you are the ones on which early action is most urgently needed in order to improve the total retirement system. The administration will therefore formally submit to the Congress within the very near future legislative proposals which would implement these changes, with a requested effective date of January 1, 1967.

There are a number of other recommendations dealing with retirement and insurance for which, at the same time, legislative proposals having later effective dates will also be submitted. These include: medicare coverage for Federal employees; additional survivor benefits; Federal employee status for National Guard technicians; immediate separation, with temporary annuity supplements, of employees approved for disability retirement; merging of the civil service and foreign service retirement trust funds (but not of the systems themselves); and revised tax treatment of retirement benefits.

In summary, the recommendations, if enacted into law, will provide Federal employees substantial improvements in an already generous fringe-benefit package. It represents an important element in their total compensation.

COSTS AND CONTRIBUTIONS

The estimated normal cost of the liberalized age-service retirement provisions, transfer of credit, and the guaranteed minimum benefits I have just outlined totals $73 million a year. In keeping with the recommended policy that Government and employees share 50–50 the normal costs of retirement, including costs for further liberalizations, the administration recommends that agency and employee contributions be increased one-half of 1 percent effective January 1, 1967. The rate will then be 7 percent for employees, and 7 percent for agencies.

TOTAL COST

The total cost of the pay and supplemental benefit proposals as a percentage of gross compensation represents an increase of 3.2 percent, within the guidepost established by the President for the private sector. This total includes: 2.5 percent for pay adjustment; 0.6 percent for retirement improvements; 0.1 percent for health benefits.

The full year dollar cost is about $485 million. With the effective date proposed by the President, January 1, 1967, the fiscal 1967 cost would be about $240 million.

CONCLUSION

In conclusion, the President's 1966 proposals on compensation would maintain the principle of comparability with private enterprise levels for Federal statutory salary schedules, would significantly improve supplementary benefits of Federal employees, and would, in totality, be consistent with the President's economic guidepost designed to avoid inflationary pressures and maintain a stable economy.

The proposed pay schedules would provide salaries at full comparability or better for about 57 percent of the Federal employees

concerned, those in the heavily populated grades up through GS–5 and PFS–4. The schedules would advance as far toward full comparability with private enterprise pay at the higher grades as consistent with the economic guidepost and the existing salary for level V of the Federal Executive Salary Schedule.

In addition, the retirement and health insurance amendments would add important and valuable features to the total compensation of Federal employees. They offer a significant supplement to the direct improvements in salaries.

I urge prompt enactment of the President's proposals, and shall be glad to cooperate by supplying draft bills to implement them. Their enactment will continue the Government's progress toward fair gross compensation for all its employees, equitably related to national compensation levels and to trends in the national economy—and, therefore, fair to the American taxpayer.

Mr. Chairman, in addition to the President's message of today, there are two attachments to that message which I would like to call to the attention of the committee. One is the report of the Cabinet Committee on Federal Retirement Systems dated February 15, which includes a much more complete presentation of the various points on retirement reform than I have discussed here. Undoubtedly Chairman Daniels and his subcommittee will wish to study this report with great care.

Secondly, the joint report of the Budget Director and the Civil Service Commission Chairman to the President dated March 3, which provides an analysis of the Bureau of Labor Statistics data and the relationship of Federal salaries to that data as required by the Salary Reform Act of 1962. These two documents constitute a supplement to my testimony.

Mr. ELLSWORTH. We don't have that, Mr. Chairman.

Mr. UDALL. We don't have enough copies. The Chair has one here, which I will be happy to pass around. We will have them available later for all members.

I would say that I think it is very important for the witnesses who will follow, particularly those from organizations, that we have as soon as possible a bill incorporating the specific features that Mr. Macy has outlined here today. We and our staff will work with you to get this drafted very quickly and to get something concrete before us, so we can talk about specific lines and page numbers rather than general proposals.

Mr. MACY. Indeed. In fact, Mr. Chairman, I believe we can expedite that process, if you are willing to have us work with the staff of the committee and develop the legislative drafts for this purpose.

On the matter of the pay bill itself, this is largely accomplished by the development of a new salary schedule or series of schedules. There is no additional substantive proposal this year. I learned my lesson last year and I don't have any extras to add.

Mr. UDALL. The Chair would also observe that, in connection with my desire to expedite these hearings, certain features in this proposal which have been suggested are within the jurisdiction of the Ways and Means Committee and it may be necessary, if we are to move rapidly, to either refer those provisions to the Ways and Means Committee for action or to have them included in separate bills. So from that standpoint, it is important we do this.

Mr. MACY. There will also be a provision, Mr. Chairman, in the retirement proposal that will necessitate clearance with the Foreign Affairs Committee, because it involves the foreign service retirees.

Mr. UDALL. Yes.

Mr. BUCHANAN. Mr. Chairman, is it not also true about two-thirds of these recommendations would fall within the jurisdiction of the Retirement, Insurance, and Health Benefits Subcommittee? Do I understand these are all to be incorporated in one piece of legislation?

Mr. UDALL. I would hope, and again each member has to follow the procedures as he sees fit, but I would hope we could have this entire package in one bill and it would be my inclination as of today we do that, and I would either introduce it or have someone else introduce it, so we would have a concrete package before us.

The Ways and Means Committee has jurisdiction over some of these features and they may insist on a separate bill. These are details we can work out. We have arranged it so both of these subcommittees can be full participants in the hearings, and the mechanics of putting a final bill together will be something Mr. Daniels and Mr. Corbett and the members of the two subcommittees can attempt to work out as we go along.

We will proceed to questions now under the 10-minute rule of the committee. The chairman will yield to himself to ask a couple of questions.

I notice on page 2 and elsewhere in your statement you refer to these proposals bringing salary levels up through GS–5 up to private enterprise salary levels most recently reported. Of course we have this old problem of lag that has been of such great concern to the employee organizations.

When you say this, I would assume you mean they are up to comparability as of February 1965, when the original raw data were taken from the Bureau of Labor Statistics?

Mr. MACY. Yes. I am referring to the most recent data available from the Bureau of Labor Statistics salary surveys, the so-called reference month for those surveys is March. The survey itself is conducted over a long period of time and the data was published in November. So you are correct, there is a period of time since that reference month, but this represents the only available data that we have at this time.

Mr. UDALL. My reaction to the overall proposal here today is that it is one which is interesting, and which is substantive. I think it shows a good deal of thought and while it doesn't go quite as far as I would prefer to go in some of these areas, I think the administration and yourself are to be commended in coming forward with these constructive proposals, rather than waiting, as has been the policy in the past, for Members of Congress to introduce bills and to proceed in that fashion.

So perhaps with the war in Vietnam and the other problems we face, this is about as good a proposal as the administration could produce and I do commend you for your part in putting it together.

I want to commend you particularly on the suggestion in the retirement aspects of your statement, that we have a 30-year retirement at age 55, and especially for the Government to have the option to initiate retirement for the employees in the policy and management positions of GS–13 and above.

To me, one of the critical things needed to improve the Federal system is to hold out hope of advancement and responsibility for the younger and able people who have been in the system. I think one of the reasons we lose some of our best people is because there is not enough room at the top, and this is an important step in that direction.

I have two other questions.

In the House bill which was passed last year, considerable emphasis was placed on premium pay. We had a provision for overtime in excess of 8 hours for classified employees, we increased the maximum grade in which overtime would be paid for classified employees from the first step of GS-9 to the first step of GS-10.

We held hearings this year in this subcommittee on travel pay.

Now, as to features of that kind, if we were to make adjustments in premium pay and travel pay, would you feel that such additional compensation should be considered in determining whether the guidelines have been adhered to?

Mr. MACY. This is a difficult question to answer. The guidelines are based upon gross compensation, not just base salary. And any new benefit that would increase the total compensation of Federal employees would have to come under that total. That increase would tend to be reflected in the percentage of increase. It is very difficult, on the fringe benefits that you identified, to be at all specific as to what the increased cost is, because it is quite dependent upon management practices, how much overtime is directed, what the nature of the work schedule is, and the like.

I would feel that we would need to look at each of these benefits and secure as precise an estimate as we possibly could and that if there was an increase of any perceptible amount, it clearly would have to be included under the 3.2 percent of increase in the guidepost.

Mr. UDALL. Let me zero in on one aspect. The 1965 Pay Act contained a provision for payment of a differential for Sunday work in the case of Post Office employees only. I know you have had discussions with the employee organizations' leaders with regard to this. Would you offer any objection if this provision were extended to all Federal employees, in order that it be a uniform provision throughout the Federal service? And would this be influenced by the guidlines?

Mr. MACY. On those two provisions, overtime pay for work over 8 hours in a day and 25 percent additional pay for Sunday work, Mr. Chairman, the Congress determined last year that the overtime payments authorized were appropriate for the postal service. I would believe in the interest of Government-wide equity that similar authorizations should be given for the employees under the Classification Act and it would be my determination that such an adjustment would be one of equalization and therefore would not be, of necessity, covered by the guidepost percentage.

Mr. UDALL. The Chair recognizes the gentleman from Pennsylvania for 6 minutes.

Mr. CORBETT. Thank you, Mr. Chairman. I don't think I will need 6 minutes. I was very interested, Mr. Macy, in your recommendation on page 12 for revised tax treatment of retirement benefits. Now some of the people in this room who think this pay proposal is quite small, their fears might be alleviated if those retirement benefits were exempt from all income tax levies.

Did the gentleman have that in mind or does he care to reveal what he had in mind by that provision?

Mr. MACY. I would be happy to take a moment or two on that.

The recommendation of the Cabinet Committee on this subject is as follows: It recommends that an intensive study should be undertaken by the Secretary of the Treasury with participation and review by other Federal departments and agencies for the purpose of conducting a comparative analysis of the income tax treatment accorded to individuals receiving various benefit payments under the several Federal staff retirement systems. The Committee recommends that priority in conducting this analysis be accorded to considerations of the principle of extending tax treatment to Federal annuitants not now covered by the Social Security Act equivalent to that accorded to recipients of old-age, survivors, and disability insurance benefits.

It was the conclusion of the Committee, after studying this, that there appeared to be inequities in the tax structure as it relates to taxation of benefits as between Federal annuities and annuities under social security. And that this particular subject called for an expert study and analysis with the executive branch having an obligation to come back to the Congress with a proposal as to what the tax treatment should be.

So I do not have a specific recommendation, but an expression of a belief that this is an area that requires further study than was possible in the course of this particular analysis.

Mr. CORBETT. Well, if the recommendation could come before we have completed action on the proposed legislation, I think it might be very beneficial. And I can see here at this point an opportunity to put some dressing on the salad which would be rather wholesome.

Going along that line, with the economy in my judgment being on a collision course with inflation, if we could look into the probability of eliminating or greatly reducing the tax liability on retirement benefits, I think it would be very wholesome and I would like to have an opportunity to consider that proposal along with the whole package.

Mr. MACY. Let me say this, in view of your interest in highlighting this particular feature, the administration will make an effort to expedite this review and to come forward with proposals on this as a supplement to the other proposals that I have presented here.

Mr. CORBETT. Well, I greatly appreciate the gentleman's attitude on that. I would like to reemphasize that my interest in this is much more than academic.

Do I have a minute left?

Mr. UDALL. Yes, the gentleman has some remaining time.

Mr. CORBETT. All right. If the total fiscal cost is $485 million for a full year, can we presume if the BLS figures for next year—this is not going to be effective until January 1, 1967—there will be further consideration given to adjustments promptly, so that the lag which the chairman referred to will not be allowed to become too great? And the reason for this lies in the fact that we are going to have a lot of pressure put on to try to increase these amounts.

Now if we could in all honesty say to those people, well, look, the administration proposes to, as the law of 1962 I think indicated, that there should be an annual recommendation, and my question is then can we presume that this procedure will happen again if the facts warrant it next year?

Mr. MACY. Certainly, Mr. Corbett, there would be an annual review of the data provided by the BLS and a determination at the end of the calendar year as to what recommendations the administration properly would make to the Congress in light of the Salary Reform Act and in the light of the then existing economic and budgetary situation.

Certainly if it were not for the economic and budgetary situation, the administration might well have recommended a further advance on comparability. Because of those strictures it is necessary to limit the total amount.

In the coming year we will continue to watch this very closely, and there will be a presentation on the entire gross compensation picture for Federal employees early in 1967, with recommendations based upon the array of considerations that exist at that time.

Mr. CORBETT. Thank you very much.

Mr. UDALL. The gentleman from New Jersey is recognized for 10 minutes.

Mr. DANIELS. Mr. Chairman, I prefer to defer questioning until I have had an opportunity to analyze the Cabinet Committee's report on retirement legislation, as well as the other report referred to, except to ask one question of the Commissioner.

On February 15 and 16 the subcommittee which I chair held hearings on H.R. 11879, a bill which I introduced, to increase life insurance on Federal employees to 150 percent of their salary or to the next nearest thousand.

I did not hear any specific reference in your statement today to that bill. There may be some reference to it in the Cabinet Committee report.

What does the administration recommend with reference to that bill?

Mr. MACY. Yes. I recommended at that hearing that the administration support an increase in the maximum to $30,000 and the provision of discretionary standards with respect to financing, but did not support the increases in the amount of insurance nor in the ratio of the Federal Government's contribution.

The Cabinet Committee did consider the matter of life insurance and its conclusion was that in the light of the variety of survivorship plans available to the Federal employee, in addition to the existing levels of life insurance, that it was not desirable at this time to support any further investment of the fringe benefit dollar in increased insurance.

Mr. DANIELS. Then do you withdraw your endorsement of the bill?

Mr. MACY. No. The endorsement of the provisions that I supported last time still stand. But there would not be a broader endorsement of the other provisions that are in that bill.

Mr. DANIELS. I see. Thank you.

Mr. UDALL. The gentleman yields the floor with the understanding that he and the other members of the subcommittee will have a full opportunity to study the documents mentioned and to satisfy themselves of its features, before being asked to participate in writing any legislation.

Mr. DANIELS. Mr. Chairman, I don't wish to curb the other members of my committee. If they have any questions to ask at this time, I would like to accord them that privilege.

Mr. UDALL. I understand.

The gentleman from Nebraska.

Mr. CUNNINGHAM. Thank you, Mr. Chairman.

I am wondering if there is a different procedure we are undertaking in this hearing. In the years I have been here, we have had legislation by number that the administrative people come up and comment on.

And in line with what Mr. Daniels said, he has a bill in, with a specific number, and that wasn't referred to and I see the call said simply "Witnesses are to be heard," but they don't say heard on what.

Many of us have spent a lot of time in drafting legislation on compensation and retirement. Is it the policy now that these will be ignored by the administration, that you are foregoing testimony on them and eventually end up with legislation in the form of a bill, rather than what the committee has worked on?

Mr. UDALL. Will the gentleman yield to me, without costing any time, because the situation here is partly the fault of the chairman.

The Chair is anxious that our committee not get in a position this year of having a last-minute situation in which the other body dictates the strategy and the timing. I was anxious to have hearings as early as possible. One of the oldest devices known to legislative procedure here, to expedite things, when you are waiting on the administration, is to announce that hearings will begin and request their position and presentation. So the Chair took that route.

I would far prefer to have a specific concrete piece of legislation. I may have expedited this by calling the hearings when I did. I would say in addition that any time a member of this committee wants to have reports on legislation that he has drafted, either I as chairman of the subcommittee, or the chairman of the full committee, will make written requests for reports on that legislation.

Mr. CUNNINGHAM. That is fair enough.

Mr. Macy, you need not respond unless you care to.

Mr. MACY. Well, I certainly want, with all courtesy and respect, to respond by saying that what I have endeavored to do today is to present as succinctly as I could a broad program which represents the administration's view with respect to total compensation for Federal employees. I would be happy to submit reports or to offer comment on other legislation that relates to this area and takes somewhat different positions.

There are before this committee a number of bills, including your own, which call for a 7-percent increase in compensation, and provide for some additional increases in premium pay.

I believe I have indicated by describing the administration's program and some of the strictures in it, that it would not be possible for me to support such legislation this year.

I would be happy to go into further detail if that is desired.

Mr. CUNNINGHAM. No. I just wanted to know your position. Then you are opposed to all of the bills that have been introduced by the Members of the House?

Mr. MACY. That is correct.

Mr. CUNNINGHAM. Thank you. That's all.

Mr. UDALL. The gentleman from Hawaii, Mr. Matsunaga.

Mr. MATSUNAGA. Thank you, Mr. Chairman.

I, too, will reserve my questions until such time as I have seen the bill as it will be introduced, so that I may be able to hit specific points. But I do express the same wish as the chairman of the subcommittee

on which I sit, as to insurance, that we do hope the insurance provisions, as we did discuss them at an earlier meeting, will be included.

If it is not, then we hope that you will lend your endorsement, as you did at that meeting, to an amendment which we will no doubt propose.

Mr. MACY. Thank you.

Mr. MATSUNAGA. I might comment further, Mr. Chairman, that I feel, as one member of this committee, that this is, I believe, the right approach, the comprehensive approach to salary and fringe benefit increases for Government employees.

Mr. MACY. Thank you.

Mr. MATSUNAGA. I wish to commend the Chairman.

Mr. MACY. It was our view it would really be of assistance to the committee to look at the total picture.

Mr. MATSUNAGA. Right.

Mr. MACY. Certainly we have no intention of precluding a detailed analysis of the various portions of it, but to start off with the broad vista of total compensation and proceed from there to the individual features of it.

Mr. UDALL. The distinguished gentleman from the Sunflower State, Mr. Ellsworth.

Mr. ELLSWORTH. Thank you, Mr. Chairman.

I would like to ask unanimous consent to proceed off the record for a minute.

Mr. UDALL. This will be off the record.

(Discussion off the record.)

Mr. ELLSWORTH. Back on the record.

Mr. Chairman, I want to compliment you on this very fine, thorough, and skillful presentation of your views on the compensation and retirement and related situation with which we are confronted, with respect to Federal employees this year.

You place a lot of emphasis on the guideposts which have been announced by the President as guideposts for price and wage increases throughout the economy. Well, in the first place, I wonder—and this is my reaction today—I wonder if it is relevant for this committee or for this Congress to be concerned with guideposts when we are supposed to be concerned with comparability. In other words, aside from the validity or the effectiveness of guideposts as a control on prices and wages in an inflating economy, and there is a very serious question about how effective they are, isn't it our responsibility, your responsibility as well as ours, to be thinking in terms of comparability?

Are these Federal employees receiving pay which is comparable with the pay that people are receiving who are doing similar work in private industry, in private enterprise? And isn't that the main purpose of our bill? And is it, therefore, valid for us to be so concerned with guideposts?

To be sure, I am positive that all of these proposals you have made are well within the guideposts and then some. But I query whether that is our question or whether our question is not comparability.

Do you have a comment on that?

Mr. MACY. Yes. I feel, Mr. Ellsworth, that we have an obligation, as Members of Congress and as representatives of the administration, to abide by both of these objectives, and to try to accommodate as

much in the way of progress toward comparability as we possibly can within the economic standards that have been established in order to avoid a further buildup of inflationary pressure.

As I indicated in my statement, this proposal would provide, for a million out of one million eight hundred thousand Federal employees, comparability as measured in the most recent survey that we have. And let me assure you that we have done everything we possibly could to provide as much in the way of an increase as we possibly can within the guideposts that have been established by the Council on Economic Advisers, so I believe we have endeavored to be responsible by trying to balance both of these criteria, and to meet comparability as fully as we can, without exceeding the standard that has been set for all employers, and all units.

Mr. ELLSWORTH. I appreciate your position, and I believe I understand it. But I am not convinced that we ought to be as concerned about the guideposts as you are in your statement.

In fact, just to point it up, on page 2 of your statement it says:

> The President's Federal pay proposals have been carefully drawn so as to be within the economic guidepost that total compensation increases in private enterprise are expected to follow in the interest of a stable economy.

Of course in the "stable economy," not even in the real economy, entirely theoretical.

In another place in your statement you actually admit what you are recommending is comparability as of January 1, 1967, with the figures of February and March 1965, which is the old problem of lag. And it seems to me when we are dealing with employees that do not have the right to bargain about their wages, as employees do in private enterprise, that it is our responsibility, as Members of Congress and as a member of the President's administration, No. 1, to do everything we can, with the weapons we have, on a broad basis, fiscal and monetary weapons, to fight off inflation.

But when it comes to the Federal employees, to emphasize the comparability side, to be sure we don't want to exceed the guideposts. But I can tell you, Mr. Macy, I think we are a long way, in this proposal, from exceeding the guideposts. And I think that really in future consideration of this committee and in the future thinking on the part of the Post Office as well as the Civil Service Commission, I hope that recognition is given to the fact that we are a long way from bumping into the guideposts, really. And that the principal danger we have to be concerned about, as far as the Federal employees is concerned, is that inflation is going to really hurt them if we limit ourselves to the proposals you have made.

Mr. MACY. I fear I have trouble following you, because clearly this increase fills up the entire area within the guideposts. There is no slack there at all.

Certainly we have made great progress; Congress has responded very effectively in increasing Federal compensation in recent years. We have had, overall, about a 16-percent increase in the last 4 years, in an effort to bring us up to comparability. And we are approaching it.

The places where the primary gaps exist are up in the higher grades of the scale, and even there this proposal would leave only about a 7-percent gap at grade 15.

So the accomplishments of the last few years have put the Federal Government in a much more comparable and favorable competitive position. And what is sought here is to maintain that position and to maintain it without exceeding the economic guideposts which have been established for the entire economy.

Mr. ELLSWORTH. I fully agree the Congress and the administration have done a great deal in the last few years. I also fully agree what we are striving for is to maintain and improve comparability. But I still think—of course we will get this from the people from the Bureau of Labor Statistics—that we are a long way from bumping up against guideposts that I know anything about. I am very interested in this proposal for improved retirement financing.

A lot of Members of the Congress, a lot of members of the public, a lot of leaders of employee organizations have been worried about this, and I am a long way from an expert in it, but I am real glad to see this positive suggestion that has been made here, and I am certainly going to look into that and participate in these hearings with a great deal of interest on that particular point.

Thank you very much.

Mr. MACY. Thank you. I appreciate your emphasizing the financing, because this has been a major concern to the Civil Service Commission, as the steward of this plan. And I hope we can adequately present and explain this so it can constitute a plan of action for financing.

Mr. DANIELS (presiding). The gentleman from the City of Brotherly Love, Mr. Green.

Mr. GREEN. Thank you, Mr. Chairman. I am sorry I came in at the tail end of this. I would prefer to defer most of my questions. But I am led to believe that what you propose is a plan that would go into effect in 1967; is that correct?

Mr. MACY. January 1, 1967.

Mr. GREEN. It seems to me if the guideposts are current, I wonder why you don't propose it go into effect in January 1966, so we would try to make the plan current with the guideposts.

Mr. MACY. The matter of the effective date is not a guidepost issue so much as it is a budgetary issue. With the rising costs in the budget, the increased expenditures for Vietnam, it is proposed that the amount of money for the increase be based upon a half year rather than a full fiscal year.

If it were not for those budgetary stringencies, clearly this increase could be authorized for the first of the year. But it is the view of the administration that the budgetary situation is such that the increase should be deferred in order to save $245 million.

Mr. GREEN. Thank, you Mr. Chairman. I have no further questions at this time.

Mr. DANIELS. The gentleman from New Jersey, Mr. Krebs.

Mr. KREBS. Reserving the right to further question Mr. Macy, after I have had time to digest the comprehensive report, I have a couple of questions to ask. First of all, following through on the point my colleague raised with you about effective date, we talk about comparability in the law identified as Public Law 87–793, and in your statement you make several references to the fact that up to grade 5, we will have achieved comparability. But I ask you if that is really true, because you are talking about putting this increase into effect

on January 1, 1967, and you said before in answer to a previous question that the survey you were using was a survey dated either February or March 1965. So already by the time you put these increases, which I believe are totally inadequate, into effect you have a gap of 23 months. You are 23 months behind comparability, assuming all of your other statements are correct, and we haven't had time to check them.

On top of that you have the 12 months for which these wage rates would be in effect, so you have 35 months behind comparability.

Do you agree with that?

Mr. MACY. I don't agree with that.

Mr. KREBS. Where is it wrong?

Mr. MACY. As I endeavored to explain earlier, the survey of the Bureau of Labor Statistics is a survey made over a period of time with the reference month being March. The data with respect to the survey is not available until a report in November. This is the only data that is available to the administration for ascertaining what comparable rates are in the private sector.

If you use the reference month, I would compute it to be roughly a 21-month lag, which the January 1 effective date would constitute.

Mr. KREBS. Are you admitting a gap or lag of 21 months in comparability? I am not going to quibble about 21 or 23 months.

Mr. MACY. You added 12. I wasn't clear about that.

Mr. KREBS. You don't disagree with the original computation, you just disagree with adding on the 12 months during which these rates will be in effect?

Mr. MACY. If you enact this into law, you will be placing these rates in approximately 13 months after the data is available and approximately 20 months after the reference month in the survey.

Mr. KREBS. All right. I think the record speaks pretty well for itself on that.

Could you tell me one other thing? What, in your judgment, is the purpose of guideposts?

Mr. MACY. The purpose of guideposts is to maintain an increase in wages and in prices that is reflective of the increase in productivity in the entire work force.

Mr. KREBS. Is there a simple way of describing guideposts? Is it to prevent inflation?

Mr. MACY. The purpose is to reduce the inflationary pressures; that is correct.

Mr. KREBS. And you said in answer to a previous question that this related to the entire economy.

Mr. MACY. That is right. The President has endeavored to establish these as guideposts for the voluntary following by other segments of the economy that are making judgments with respect to wages and salaries.

Mr. KREBS. It really isn't voluntary in this case, is it? Do you suggest it is voluntary, if we write it into law at your request?

Mr. MACY. My view would be, if the President is endeavoring to have the private sector follow this on a voluntary basis, clearly the Federal Government ought to follow the same guides.

Mr. KREBS. Do you think maybe we ought to wait until a majority of the people involved in the private sector adopt these voluntarily? Is it fair to impose these restrictions on Federal Government employees when the rest of the economy is asked to do this voluntarily?

Mr. MACY. Yes; it seems to me this is an area where the Federal Government can take an action on its own with respect to its own responsibilities.

Mr. KREBS. Even among people who admittedly are going to be 21 months behind the comparability set up in Public Law 87–793? All right, let me ask you another question. How would you suggest that legislation be written if at all, to cope with this problem, and I am reading from a Standard & Poor's recent survey on corporate net profits after taxes. This shows that General Motors in the fourth quarter of 1965, as compared with the fourth quarter of 1964, enjoyed an increase in net profits after taxes, absolute net profit, of 65 percent. It is spelled out in figures. They made in the last quarter of 1964, $374,537,000 net profit. In the last quarter of 1965, $587,300,000 in net profit. That is an increase of 65 percent.

In the case of Ford Motor Co., net profit for the fourth quarter of 1964, $101,900,000, the fourth quarter of 1965, $162,800,000, an increase of 61 percent approximately.

How do your 3.2 guidelines relate to this kind of increase in profit?

Mr. MACY. That is an issue that is beyond the scope of my presentation or my competence.

Mr. KREBS. Do you intend to testify on the Hill before the appropriate committee on how the Government or Congress can deal with this?

Mr. MACY. I don't believe this comes within the scope of responsibility of the Chairman of the Civil Service Commission.

Mr. KREBS. Doesn't the administration that gave birth to the 3.2 guideline have a responsibility in this area, too? Do you want to answer my question?

Mr. MACY. I am not in a position to answer it.

Mr. KREBS. OK. One more question. In your testimony you used the word, on page 1, "reward," the "total reward."

Mr. MACY. Yes.

Mr. KREBS. I am not quite sure how you use that, what its meaning is.

Mr. MACY. I was using this as synonymous to compensation.

Mr. KREBS. I checked the dictionary and it doesn't quite agree that reward and salary are synonymous. I wondered if you had a special meaning.

Mr. MACY. This isn't salary, this is total compensation.

Mr. KREBS. Isn't total compensation total salary or total earnings?

Mr. MACY. No, salary and earnings and salary and compensation are different in the approach that I have endeavored to set forth here. Gross compensation includes salary plus the supplementary benefits that are available to the Federal employee, through action by the Congress.

Mr. KREBS. One final question, Mr. Chairman. I have before me Public Law 87–793 and on page 10, part 2, Federal salary program, title I, general policies, section 502, and subsections (a) and (b) of 502, deal with comparability, which you and I have discussed before in previous hearings.

I want to say in view of the suggestions made by you, if I were to introduce legislation repealing the comparability factor in this law, would you support it?

Mr. MACY. No, sir. I believe that——

Mr. KREBS. Are you in favor of it now?

Mr. MACY. I believe the Federal Salary Reform Act was very desirable legislation, from the point of view of the Federal employee, and the Government.

Mr. KREBS. Are you in favor of comparability?

Mr. MACY. Yes, indeed.

Mr. KREBS. Now, constantly, always, or just at times? Because it seems to me you don't favor comparability by your recommendations here today.

Mr. MACY. I feel in view of all factors, of an economic and fiscal nature, that this is as far as we can go toward comparability, and I believe that, as I have testified over the past 4 years, we have made great progress under the statute you have identified.

I think this is a statute that represents sound policy, but it obviously has to be administered within the context of economic conditions and national programs that exist at any particular time.

Mr. KREBS. Do you believe if the employees of the Federal Government are given increases in other areas, aside from take-home pay or salary, for example, we give them another thousand dollars or $5,000 worth of life insurance protection, or some more hospitalization protection, or two more holidays, or anything that doesn't put spendable cash in the pockets of the employees, that this is inflationary, and violative of the 3.2 recommendation?

Mr. MACY. Yes, I do.

Mr. KREBS. No further questions.

Mr. UDALL. The gentleman from Alabama.

Mr. BUCHANAN. Thank you, Mr. Chairman.

Mr. Macy, I congratulate you, too, on including some thought on methods to improve financing and funding of the civil service retirement program. I think it is high time we took a look at that. I appreciate this overall report.

Mr. Chairman, I hate to be the fly in the ointment here, and yet I feel I would be remiss if I did not express my concern over a matter. I certainly understand Mr. Macy, and there is nothing unrealistic about the concept of retirement and health and insurance benefits being a part of entire compensation, of course they are, nor is there anything wrong in considering these together in a piece of legislation.

But may I say, Mr. Chairman, I am concerned, because as a member of the Retirement, Insurance, and Health Benefits Subcommittee, I for one have waited with great interest for this Cabinet Committee report on the Federal system, and have felt there may well be a need for a major overhaul of present retirement legislation, at least there is enough indication this may be the case that we need to take a very thorough look at the number of things, and I could hope that whatever pattern we work out for the handling of this compensation legislation, whether or not we work together on retirement and health insurance aspects of the compensation legislation, that this would not dispose of the matter of retirement legislation possibilities for this Congress in light of the fact it seems to me that there is room for a very thorough look at our retirement picture, perhaps for hearings to be held on this specific question, and I could hope that this would not simply boil down to being an addendum to the compensation hearings and legislation.

Mr. UDALL. Will the gentleman yield to me?

Mr. BUCHANAN. Yes, sir.

Mr. UDALL. We have a problem that is of no one's particular making. We have a package proposal. There are many sound arguments, as you have indicated, for a package proposal. We have a bill or proposal which in part is before the gentleman's subcommittee and part is before this subcommittee. Another part will probably have to be before the Ways and Means Committee. And we get into a procedural problem.

I want to say as I said earlier, that the Subcommittee on Retirement, Insurance, and Health Benefits has done a fine and constructive job. I think one of the best things we ever did was to set up that subcommittee, and put on gentlemen like the gentleman from Alabama, the gentleman from New Jersey, and the other members.

I am certainly not attempting nor desirous of stealing any jurisdiction of that subcommittee and I want to cooperate with them. I think the overall broad look the gentleman is talking about, may be necessary and may be helpful. You can count on the support of the chairman of this subcommittee for anything the gentleman wants to do in this regard.

Mr. BUCHANAN. Thank you, Mr. Chairman.

Thank you, Mr. Macy.

Mr. MACY. Let me add, clearly the intent of the Cabinet Committee was to give the kind of comprehensive review you have indicated and we would be happy to confer with you personally, if there are points where the report does not appear to answer any questions you may have.

Mr. BUCHANAN. Like the other members, I need to take a thorough look at it.

Thank you.

Mr. UDALL. The gentleman from Michigan, Mr. Clevenger.

Mr. CLEVENGER. Mr. Chairman, I am intrigued by the discussion of comparability and guidelines, because I just returned from my district and talked to one of your employees, or the wife of one of your employees, and she of course is in favor of higher pay for her husband.

I talked to some of my employees who would like to have pay comparable to Federal employees, and they very consistently opposed Federal employees getting more, even increasing the gap between what they get in private industry and what they could get if they worked for the Federal Government. I think you bring up all by raising and not holding down the Federal employees. But I have been concerned with what I guess you call the total reward, because aren't you recognizing now the fact as has been recognized in private industry, that if the Government or employer pays for health insurance, which would otherwise be purchased by the family and needed by the family, this is actually a higher raise in compensation even than the dollar amount paid by the employer—what I was getting at is—what I am getting at and what you are doing is this, we are saying when an employee has to pay $1 more for health insurance, or pay a dollar of his wages for health insurance, he has to actually, if he is even taxed at the 20-percent rate on his income tax, he has to have an increase of $1,25 an hour, or $1.25, to get a $1.29 paycheck to pay for it.

So, when the Government or the employer pays that dollar for the health insurance, it is an even greater increase, because it is a payment outside of the tax structure, isn't it?

Mr. MACY. That is right. This is a payment being made by the Government, contributing to the cost of a needed portion of economic security for the employee and his family.

Mr. CLEVENGER. And if the employee continued to pay it, the employee would have to have added to his paycheck not just $1, but $1.25, or a higher amount, because some of that comes off before he gets it in income taxes?

Mr. MACY. That is right.

Mr. CLEVENGER. And that is what you are talking about, when you talk about total reward, isn't it?

Mr. MACY. Yes. You see, if you take salary, base pay, as 100 percent, the Government is contributing beyond that in fringe benefits another 25 percent in the total package of benefits. And these are benefits that over the years the Congress and various administrations have felt desirable in order to provide the employee with these extra services, designed to assist him in times of difficulty due to ill health or death in the family, benefits to provide vacation, sick leave, benefits to take care of his retirement years. And these are a part of total compensation. And we are really not serving the employee or the Government well if we don't recognize the costs that are involved in these benefits as well as in the base pay.

As we adjust benefits, we also have to recognize what this represents in the way of increased Federal costs. On the other hand, we also have to recognize that increases in salary have an impact on the cost of benefits. The increase in salary, which we hope we can provide on a regular basis, in response to comparability, also increases the cost of retirement, because it is raising the salary level that eventually is going to be reflected under the formula that we have in the annuities that are paid.

Mr. CLEVENGER. Right. Now let me go to another part of your presentation. Can we do even more in what I consider an acceleration of the trend that is suggested in yours, can we do more to accelerate this trend, to make retirement benefits interchangeable between Federal, State, and local governments, and governmental retirement systems, and those in private industry, so that we can facilitate the interchange of personnel between governmental employees at the various levels, and the private industry?

Mr. MACY. Well, my view, Mr. Clevenger, is that one of the three provisions for retirement improvement, namely the transfer of credit, will substantially accomplish the purpose you are referring to, because the Federal Government today is the one large employer that does not have its employees covered by social security. And under this plan it will be possible for an individual starting out in the Federal Government to gain social security credits and then to carry those credits over into State or local government or into private employment.

Mr. CLEVENGER. I recognize that as a movement toward this goal I have and many of us have.

Mr. MACY. Right. And I would like to see companion action by State and local governments, so their retirement systems more frequently vest at 5 years, the way the Federal Government does, so

that people who move from job to job would accumulate a number of retirement eligibilities.

Mr. CLEVENGER. All right. And when I say can we even accelerate this trend, and hasten the movement you say is implicit in yours, and I agree, we are talking only of the minimum retirement benefits when we talk of social security, because we go beyond the social security system in our Federal benefits.

Mr. MACY. Very substantially, yes.

Mr. CLEVENGER. And so do many, well, so do some of the State and local governmental units and so do some of private industry. Can we continue to seek out the ways of having this structured in such a way that you can consider them in units and if a person moves amongst the employers, the market so to speak, he can have the retirement protection when he retires and we can have the benefit of the intermovement between employers?

Mr. MACY. I think a lot more needs to be done among employers with differing pension and retirement systems to bring about the kinds of compatibility you are speaking of. For example, there is a meeting next week where representatives of local, State, and Federal Government will meet to talk about how they can build up the opportunities for mobility between systems and one of the barriers to such movement will tend to be the different retirement plans. And one of our principal topics of discussion will be how we can lower those barriers jointly, so this kind of interchange can take place.

Mr. CLEVENGER. Thank you, Mr. Chairman.

Mr. UDALL. The gentleman from New York.

Mr. HANLEY. Thank you, Mr. Chairman.

Reserving the right to question following further study, Mr. Macy, I want to commend you on what I observe to be a rather comprehensive proposal, and a sincere effort in the direction of curing the ills that persist in our Federal salary structure. I would like to associate myself, No. 1, with the remarks of our colleague from Pennsylvania, Mr. Corbett, with respect to the concern for considerate revision of tax treatment for retirement benefits. I look on this as an area where we have to do a lot of work and I am totally sympathetic with those in that category, who attempt to cope with the ever-increasing costs of living and a fixed income.

So I again want to associate myself with his remarks and trust that something further will come of it.

Mr. MACY. Let me say in that connection, Mr. Hanley, that in the Cabinet Committee report there is an endorsement of provision enacted by Congress last year, at the recommendation of the committee that Chairman Daniels heads, that there be an adjustment of annuitant's rates, based upon increases in the consumer price index, on an automatic basis. The view of the Committee was that this was a desirable approach to assure that the purchasing power of the annuitants is maintained over time, so that there would not be a loss.

Your point on taxation is clearly one that we need to look at, to eliminate inequity and see if there are other adjustments that could be made in the interests of the annuitants' future.

Mr. HANLEY. I am pleased to hear of your recognition of this problem area. With respect to the levels beyond GS–5, insofar as full comparability is concerned, do we have a target date in the future?

Mr. MACY. We don't have a precise target date, because it is so difficult to foresee what future conditions are going to be. The proposal that we have offered here today does improve the situation by amount of 37½ percent. In other words, it closes the existing gap to that extent. It certainly is the hope of the administration that in subsequent years the economic and budgetary situation will be such that the gap can be even more rapidly closed. I am afraid that is about as precise a commitment as I can make.

Mr. HANLEY. As long as its intent is honest, I am satisfied.

Just one other question. You referred to Federal employee's status for National Guard technicians. By this do I interpret you as saying they will have full civil service status?

Mr. MACY. This is an area that we are working on with the Defense Department, to determine just what the proper status of National Guard technicians should be. It has been proposed that they be covered by the Federal civil service retirement system. And if that is to be the case, we need to ascertain how we handle the financing, and the accumulation of credits for those men and women who have been engaged in that work.

Mr. HANLEY. This is another area where I observe we have been extremely derelict, to these people who have been in the employ of the National Guard for a good number of years and have nothing in the way of benefits. So I again would hope that I can interpret this proposal to include those in this category for consideration as full civil service status.

Mr. MACY. That is the intent.

Mr. HANLEY. Thank you. No further questions, Mr. Chairman.

Mr. UDALL. Mr. Macy, I have two quick inquiries.

Our colleague from North Carolina, one of the members of this committee, Mr. Henderson, has asked for time to testify subsequently, and as I understand it, he is going to propose that selective service employees be included in this bill and receive any pay increases that are granted. Have you had a chance to study this and do you care to comment on it at this time?

Mr. MACY. This is a longstanding point of controversy. The position of the administration is that the present system of determining salaries for those working for the Selective Service System is appropriate, rather than to move those employees under the Classification Act. The individuals involved are working for volunteer boards. They are very closely related to State and local government employees, in contrast to Federal employees. And, therefore, the determination by the State authorities of levels of salary in keeping with what is being paid in the State appears to be the most equitable way of providing compensation.

Mr. UDALL. Did I not hear a rumor somewhere that the administration is about to change its traditional position in opposition to having employees of the agricultural stabilization and conservation organizations deemed to be Federal employees, made Federal employees for all purposes?

Mr. MACY. Mr. Chairman, one of the very reliable reporters on civil service matters so indicated. The other day, I testified before the Senate committee that it was the view of the Civil Service Commission that the Congress had extended benefits to these employees to such an extent that they should be designated as Federal employees,

and take on not only all of the benefits, but the obligations and other aspects of civil service as well.

At the present time they are covered by the Retirement Act, Life Insurance Act, the Severance Pay Act. However, they are not covered by the Civil Service Act, they are not covered by the Hatch Act, they are not covered by veterans' preference, and although these employees have in the past been identified and are today identified as employees of county committees, it is our view that they should be more properly identified as Federal employees and have all of the features of Federal employment relate to them.

Mr. UDALL. The Chair proposes to adjourn in about 10 minutes and will yield in segments of 2 minutes to any of the members who have further matters to pursue at this time.

Mr. CLEVENGER. I am perfectly willing to adjourn.

Mr. UDALL. We will stand adjourned until 10 o'clock tomorrow morning, in room 215, this building.

(Whereupon, at 3:40 p.m., the subcommittee was adjourned, to reconvene at 10 a.m., Tuesday, March 8, 1966.)

FEDERAL SALARIES AND FRINGE BENEFITS

TUESDAY, MARCH 8, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMPENSATION OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 10 a.m., in room 215, Cannon Building, Hon. Morris K. Udall (chairman of the subcommittee) presiding.

Mr. UDALL. The subcommittee will come to order for the further consideration of legislation affecting Federal salaries and fringe benefits.

Our witness this morning is Hon. Richard J. Murphy, Assistant Postmaster General, Bureau of Personnel.

I think you are accompanied by your staff?

Mr. MURPHY. Yes, Mr. Chairman. I would be pleased to introduce them: Mr. Bernard Beary of the Program Planning Office, Bureau of Personnel, and Mrs. Ann Flory, Assistant Director, Compensation Division. Mr. John Swygert, Director of the Installations Management Division, Bureau of Operations.

Mr. Block, our Director of the Compensation Division, is unfortunately down with the flu and unable to be with us.

Mr. UDALL. We are happy to have you people with us. You may proceed.

STATEMENT OF HON. RICHARD J. MURPHY, ASSISTANT POSTMASTER GENERAL, BUREAU OF PERSONNEL; ACCOMPANIED BY BERNARD BEARY, PROGRAM PLANNING OFFICE, BUREAU OF PERSONNEL; MRS. ANN FLORY, ASSISTANT DIRECTOR, COMPENSATION DIVISION; AND JOHN D. SWYGERT, DIRECTOR, INSTALLATIONS MANAGEMENT DIVISION, BUREAU OF OPERATIONS

Mr. MURPHY. Thank you, Mr. Chairman.

I have a prepared statement—it is about 22 pages in length—and I would like to request permission to read it, because I have tried to be responsive to some of the points Mr. Cunningham brought up when he asked for comments on various bills that had been introduced by the members, in addition to presenting several studies we have done which I think would be of help to the committee, therefore I I would ask your indulgence and your permission to read it to you.

Mr. UDALL. The statement is important and I know it has been carefully prepared. I think it would be well if we took the time for you to read it. The chairman is not unaware of the time limitation on you, Mr. Murphy, in putting together your Department's position,

when the President's message only came down yesterday. I suspect the midnight oil was burned and the mimeograph machines oiled and operated at hours unfamiliar to them, so we are happy to have you read it.

Mr. MURPHY. Mr. Chairman and members of the committee, it is a pleasure to appear here once again and to endorse, on behalf of Postmaster General O'Brien, progressive pay, health benefits, and retirement proposals which the President made yesterday to benefit all postal and Federal employees.

Mr. Chairman, this is the third year in a row that President Johnson has seen fit to support a pay increase for postal and Federal employees. I think that record is without parallel.

In the field of personnel legislation, last year was a banner year for the Post Office Department; one of the best that postal employees have ever enjoyed. Legislation passed last year by the Congress helped us greatly to modernize the work and pay rules of the Postal Establishment and to take a giant stride forward in the tremendous amount of catching up that we have done over the past few years in matters of postal compensation. Paywise, we had lagged considerably behind comparability, our overtime rules were antiquated, work schedules were outmoded, our employment ceilings unrealistic. Congress in the past few years, and especially in the immediate past year, assisted the Post Office Department in making rapidly accelerated progress that has moved the Department from the ranks of the not-so-good employers to the ranks of the progressive employers.

These are some of the progressive legislative changes which this Congress adopted last year:

1. Removed the Post Office Department from the unrealistic employment ceiling imposed by the "Whitten amendment."
2. Provided a "5-day week" for postmasters.
3. Eliminated, for rank-and-file employees, and firstline supervisors the antiquated system of compensatory time.
4. Established for the first time overtime provisions for substitute employees.
5. Clarified rules on overtime, including, for the first time, cash opportunities for work on a sixth or seventh day.
6. Provided cash instead of compensatory time for holidays.
7. Established the maximum permissible hours of work in 1 day.
8. Provided an increase in base pay of 3.6 percent.
9. Provided severance and relocation pay.

The above list, Mr. Chairman, represents a truly remarkable series of legislative adjustments. Correspondingly, these and other provisions adopted by the Congress required a major effort on our part to make certain adjustments in the management of almost every one of our 35,000 postal installations. The months of October, November, December, and January were extremely busy ones as we undertook to:

1. Adjust payrolls for the new increase.
2. Issue rules on work schedules and rearranged schedules to maximize Monday through Friday work periods.
3. Rework Sunday schedules to reduce penalty compensation payment to required minimum.
4. Employ and train thousands of new persons to cover for rescheduled employees.

5. Issue new rules on pay, overtime, and holidays.

Almost simultaneous with these pay and schedule changes we also had our "annual deluge"—the Christmas rush, which broke all records for volume—and was, I am pleased to advise, the finest ever in terms of speed of delivery, operating efficiency, and lack of complaints.

To add to the complication, was the fact that thousands of our best employees, especially our supervisors and postmasters, were among the 11,000 postal employees who retired on December 30, 1965, to take advantage of the generous retirement opportunity contained in Mr. Daniel's bill, H.R. 8469, subsequently enacted as Public Law 89-205.

As a matter of fact, October to January saw us add over 62,000 employees to our rolls to cover retirement, resignations, rescheduling, reduction of overtime, and increased workload, in addition to the 139,000 hired as Christmas assistants.

While 1965 was a banner legislative year for postal employees, we recognize that there is still much to be done. Proposals to deal with the unfinished business in three major areas are reflected in the message on pay, health benefits, and retirement, which the President has sent forth to the Congress.

Since 1962, Mr. Chairman, scheduled pay rates for postal employees increased over 19 percent. That is an annual average of almost 5 percent. To illustrate:

PFS-4, step 1 prior to October 1962 was $4,345.

PFS-4, step 1 since October 1965, reflecting the last pay increase in the field, was $5,181.

Since the pay law of 1962 provided additional increments for employees on the rolls, actually the increases exceeded 20 percent since 1962, as follows:

Public Law 87-793 of 1962:

Phase I, 8.6 percent.

Phase II, 2.6 percent.

Public Law 88-426 of 1964, 5.6 percent.

Public Law 89-301 of 1965, 3.6 percent.

How do the increases for postal employees over the past 4 years, from 1962 through 1965, compare with pay increases in the economy generally? In looking at these comparisons we must remember that in 1962, postal salaries were quite a bit behind comparable schedules in private industry. In spite of the fact that since then we have made great progress, and that, as the figures will show, postal increases have outstripped increases for private industry during the most recent 4-year period, postal salaries still lag behind scheduled comparability by varying degrees. That is why this is the fifth consecutive year I have had the pleasure of appearing before this committee to advocate a pay increase. I might also add that during this time, whatever differences we have had with the employee organizations have never been over whether an increase was necessary, but what the amount of that pay increase should be. That is precisely our position today.

I might say that probably there will always be differences of that type between us and the employee organizations and we can perhaps never propose one that will be approved by them totally and they will always be asking a little more than we can grant. I want to

emphasize that there has never been a disagreement over whether there should be an increase; it has always been over the amount.

An insight to the movement of wages in the private economy can be obtained from three sources:

1. Earnings of production workers.
2. Negotiated increases in base pay.
3. Private enterprise increases as reported by Bureau of Labor Statistics for positions equivalent to Classification Act grades, 1961–65.

First of all, what has been the average increase of the production workers? I think the chart here demonstrates that, while the annual increases added together total 11.9 percent for the years between 1965 and 1961, earnings increased overall by 16½ percent. That is, if you take the pay in 1961 and compare it in 1965, it is a total increase of 16½ percent.

According to the Bureau of Labor Statistics, the rate of increase in hourly earnings for production workers has slowed down considerably since the early postwar period. In the last 5 years the annual increase has averaged 2.9 percent as compared with 4 percent between 1956 and 1960 and 5.3 percent between 1951 and 1955. Further, the Bureau of Labor Statistics reports there is no sign of acceleration in the rate of advance over the 5-year course of current economic expansion.

Average earnings of production workers in manufacturing

	Per week	Weekly hours	Per hour	Percent increase
1961	$92.34	39.8	$2.32	
1962	96.56	40.4	2.39	3.0
1963	99.63	40.5	2.46	2.9
1964	102.97	40.7	2.53	2.8
1965	107.53	41.2	2.61	3.2

Secondly, trends in negotiated increases. This chart demonstrates that for the 4-year period 1962 to 1965 the average negotiated contract increase amounted to 3.25 percent. For 1966 an increase above the average for the past few years is not expected since not as many major contracts are coming up for renegotiation in 1966.

Trends in negotiated increases—Increases for union agreements signed

1962	2.9
1963	3.0
1964	3.2
1965	3.9

Third, private enterprise increases as reported by Bureau of Labor Statistics for positions equivalent to Classification Act grades, 1961 to 1965, this chart shows that the clerical increase during that period has been 10.6 percent, the lower professional and administrative, 13.7 percent; and the higher professional and administrative, 15.2 percent.

At the same time, the Consumer Price Index has risen by less than 2 points each year. Overall, from 1961 to January 1966 the index rose less than 7 points, or, expressed as a percentage, 6.5 percent.

The purpose of my outlining the above statistics is to demonstrate that the justifiable increases provided postal workers, especially rank and file, during the past few years, compare favorably with the ex-

perience of employees in private industry during the comparable period of time. The committee is also mindful, I am sure, that the average postal employee's salary is not tied solely to initial salary. Happily, unlike many areas of private industry, each postal employee has a series of pay increases which he achieves virtually automatically. During his first 6 years of employment he receives an increase of 3 percent every 12 months. And this committee very graciously added a few steps a few years ago, on the recommendation of the administration, to our lower grades. Thereafter, he receives an additional 3 percent every 3 years, until he has reached the 12th pay step.

Because of our relatively low turnover in the postal service, plus the fact that in 1962 the law provided an extra step to each employee in PFS–4 and below on the rolls at that time, the average postal clerk and carrier is now today in step 8 of his level. The following chart on the salary progression of the average clerk and carrier should prove informative.

1962 schedule		October 1962 schedule		October 1965 schedule		Increase 1962–65	
Step	Rate	Step	Rate	Step	Rate	Amount	Percent
1	$4,345	2	$4,725	5	$5,865	$1,520	35.0
2	4,505	3	4,885	6	6,036	1,531	34.0
3	4,665	4	5,045	7	6,207	1,542	33.1
4	4,825	5	5,205	7	6,207	1,382	28.6
5	4,985	6	5,365	7	6,207	1,222	24.5
6	5,145	7	5,525	8	6,378	1,233	24.0
7	5,305	8	5,685	9	6,549	1,244	23.4
A	5,405	9	5,845	10	6,720	1,315	24.3
B	5,505	10	6,005	11	6,891	1,386	25.2
C	5,605	11	6,165	12	7,062	1,457	26.0
		12	6,325				

The reason I am putting this in here, Mr. Chairman, is to demonstrate, for example, that a letter carrier who was in step 1 in 1962, in 1965 finds himself in step 5. He has had an increase in salary of roughly 35 percent since 1962. And so on down the list. A person in step 6 in 1962 and is now in step 8, which is our predominant step today, has had an increase of 24 percent in come since 1962.

The reason I point this out is that during the past year or so I have had the experience that members of this committee have had, of attending rallies of employee organizations, and very frankly I have been surprised to find there is so much criticism on the part of the rank and file people who don't really understand the mangnitude of the increases that have been voted by the Congress since 1962. Sometimes they have been quite critical of the union officials but I think they should know what a good job their union leaders have done. I think this chart demonstrates they have done an outstanding job, in my estimation. Sometimes they wanted an increase a little higher than what the administration wanted. Nevertheless, it's been a good increase and has been worked out by all concerned, but I don't think it is understood among the rank-and-file employees, and that is why I am including this today.

Now Mr. Macy, Chairman of the Civil Service Commission, during his appearance before this committee indicated that for this year, for sound and compelling national economic reasons, a pay increase averaging 2.85 percent over all schedules is appropriate. In

terms of comparability, and using the three linkage points provided in the Pay Act of 1962, the pay line developed by using Bureau of Labor Statistics data gives us 2.4 percent, at level PFS–4. Above that level we have derived a pay line which, while less than full comparability, goes a long way toward closing the gap by providing higher percentage increases through PFS–17. Hence we have 3.5 percent at PFS–11, 4.5 percent at PFS–17 and 2 percent at PFS–20.

The next chart gives you what the percentage increase is in the President's proposal for each of the grades in the postal field service It also gives you what the average increase would be when applied to the fourth step and it also gives you in the final column what this leaves each grade as to comparability. It shows, according to the latest available data, that this would provide 100 percent of comparability for about 85 percent of our work force, descending to a minimum of 90.8 percent at PFS–17. The supergrades PFS–18 to 20 are given 2 percent because of the compression problem with pay of executive level categories.

	4th step	Percent increase	Dollar increase	Percent 1965 comp.
Postal field service:				
1	$4,590	2.2	99	100.0
2	4,970	2.3	111	100.0
3	5,385	2.3	122	100.0
4	5,830	2.4	136	100.0
5	6,240	2.4	146	98.8
6	6,690	2.4	158	96.8
7	7,165	2.4	168	96.7
8	7,755	2.4	183	96.6
9	8,390	2.4	197	96.6
10	9,220	3.2	285	95.2
11	10,225	3.5	346	94.8
12	11,340	3.8	415	94.2
13	12,585	4.1	495	93.7
14	13,935	4.5	598	93.1
15	15,395	4.5	663	92.2
16	17,025	4.5	735	91.5
17	18,840	4.5	810	90.8
18	20,375	2.0	401	
19	22,580	2.0	441	
20	25,040	2.0	492	

We make no attempt to equate the supergrades with comparability, because it would be simply too high an increase, and it would never get voted.

You will notice, Mr. Chairman, these increases range from 2 percent in the supergrades to 4.5 percent in level 16.

Nothing that I have been able to review has helped me to establish a valid base for the 7-percent increase proposed in a number of bills now under consideration by the committee.

Health benefits and retirement: The increases in direct pay recommended by the President are supplemented by a number of very valuable improvements in other compensation benefits, which when taken together with the pay increase brings the administration's proposal to an average of 3.2 percent. These proposals were described in some detail by Chairman Macy and I want to say on behalf of Postmaster General O'Brien that these will be of particular benefit to postal employees and to the efficiency of postal operations. The Post Office Department wholeheartedly subscribes to them. The new cost-sharing ratio for the health benefits is manifestly more equitable and realistic than the ratio that now prevails.

The privilege of retiring with full annuity at age 55 after 30 years' service responds to a need long expressed by employee groups for many years before this committee. The more limited concurrent authority recommended by the President for agencies to exercise the retirement option—limited, I emphasize, to the employees in top grades, GS–13 or higher—responds to a longfelt need of management officials. And I can tell you it is a longfelt need, having discussed this with most of the Federal agencies' personnel people.

Reducing the service requirements at age 60 from 30 to 20 years will give an entirely new retirement option to career employees who reach an age when they may reasonably feel entitled to stop work or may find it actually necessary to withdraw because of declining physical capacity.

The transfer of credit provisions will finally close the gap for large numbers of present and future workers who under the existing structure would end their working lives without either civil service retirement benefits or social security credit for their Federal employment.

The social security minimum will guarantee that employees who receive benefits under the civil service retirement system will get no less than if their Government service had been covered under social security.

These several benefits, when added to the general pay increase which the President has proposed, represent a very meaningful package of improvements in the compensation of postal and other Federal employees. They are a broad attack, Mr. Chairman, in a wide variety of areas on problems which have been long outstanding before your committee and Mr. Daniels' committee having to do with health benefits and pay and we think it is a good package.

At this time I think it would be appropriate for me to provide this committee with our thoughts on some of the other bills now pending before you as they relate to premium or special pay considerations for postal employees. I guess this is the only opportunity we will have for that purpose.

Mr. UDALL. I think it is very appropriate.

Mr. MURPHY. The work schedules: The bill introduced by Mr. Olsen, H.R. 12240, would change the current language in the law on work schedules. Mr. Olsen's bill makes these important proposals:

(*a*) Changes the maximum period of consecutive hours during which an employee may be worked or available to work from 12 to 15. The current requirement that no employee shall be employed more than 12 hours in 1 day remains. The mandate regarding a maximum of 12 hours in a day is sound, in my estimation, and by far the most important. We would go along with changing the consecutive rule from 12 to 15 hours for it will permit the use of some employees during the early part of a day, say from 6 a.m. to 8 a.m. and then later that day, say from 5 p.m. to 8 p.m. Currently, the 12-hour restriction has caused the curtailment of hours of many part-time employees, whose only available work periods were in spans longer than 12 consecutive hours, even though they themselves would not work more than 12 hours in the day.

(*b*) Mr. Olsen's bill also excluded reference to Monday through Friday schedules, but he does propose that Sunday shall not be a scheduled workday. The result, then, would be that Sunday when worked by a regular employee would always be overtime and paid at

the 150-percent rate. In turn, Mr. Olsen's bill drops the 25-percent differential for Sundays since it would never be a regularly scheduled day of work. This proposal relates to the entire question of weekend premium pay which will be discussed next.

As a result of the law passed by this Congress last year, the Post Office Department is now a leader among public administration jurisdictions in the payment of a premium for Sundays "as such." We now pay a 25-percent differential to regular employees whose work schedule includes 8 hours of work, any part of which falls on Sunday.

To illustrate, if a tour starts at 5 p.m. Saturday night and ends at 2 a.m. Sunday, the entire tour is paid for at the rate of 125 percent. Of course, to reduce the incidence of Sunday premium pay we have carefully checked our tours and to the maximum extent possible tours now end before 12:01 a.m. Sunday or do not begin before 12:01 a.m. Monday. This provision has created a need for considerable rescheduling, and, of course, has involved extra cost and some operational problems, about which Mr. Swygert could respond later.

Mr. Krebs and Mr. Hanley in their bills both propose that Saturday work be paid for at the rate of 150 percent and Sunday at the rate of 200 percent. Mr. Olsen would continue Saturday as a regular day but would exclude Sunday from the work schedule—thus when worked it would be as an overtime day; 150-percent rate.

At our request, the Bureau of Labor Statistics undertook a detailed study of prevailing industry practices to determine the extent to which continuous process industries pay a premium for weekend work. By continuous process we mean industries which ordinarily do not close down Friday nights and reopen Monday morning except, for example, for their "busy season."

At this time we have only the preliminary results of the BLS special study. As soon as the full results are ready I will submit a copy for the committee's record. As of this date, this is what the BLS reports:

Of the 325 union contracts studied, 145 provide a premium for Sunday work as such; that is, Sunday, even though part of the regular work schedule, is accorded a premium rate.

The 145 contracts which provided a premium for Sunday work were distributed as follows:

1¼ times regular rate	20
1½ times regular rate	74
2 times regular rate	8
1½ times for 1st 2 Sundays worked, double time for subsequent consecutive Sundays	9
Miscellaneous, such as cents per hour, special locations, etc	34
Total	145

In terms of overall differences, about 91 agreements pay better rates than time and a quarter. This represents under 30 percent of all agreements studied; 180 of the 325 contracts studied pay no premium at all. Clearly then, there is no justification for any increase in the Sunday premium, based on the prevailing practices in continuous process industries. As noted earlier, at present the Post Office Department with its time-and-a-quarter rate is a leader among public administration jurisdictions.

As regards premium pay for Saturdays as such, the Bureau of Labor Statistics finds that this is not at all prevalent. Of the 325

agreements studied, only 26 agreements, or less than 10 percent, provide a special rate. Thirteen agreements provide time and a half. No agreement provides one-and-a-quarter or double-time rate. The remaining 13 agreements have a variety of additional amounts, such as cents per hour, flat sums, and what have you. With 90 percent of the continuous process industries paying straight rates for scheduled Saturday duty, I believe, the case for holding such to be the prevailing practice is unassailable.

Mr. Olsen's bill proposes 150 percent "extra" for all holidays worked except Christmas Day. That is extra or 250 percent for Christmas Day—it is not clear whether it is extra or not. We are not certain of the intent of Mr. Krebs' and Mr. Hanley's bills on this point. Both speak of holiday premium at 200 percent. Actually, this is what employees now receive except for Christmas Day, when they receive 250 percent—base pay plus "extra" pay for this holiday. Also, for a technical reason it appears those two bills would result in paying substitutes more liberally than regulars, the reason being substitutes already have a pro rata amount built into their schedule and on a pro rata basis paid for holidays.

The current situation in industry is as follows:

First, number of holidays. The most recent statistical source on pay for holidays is the Bureau of Labor Statistics Bulletin No. 1470: "Supplementary Compensation for Non-Production Workers, 1963." Table 23 in that publication indicates that while the number of paid holidays ranges from 5 to over 13, the modal number is 8. Of 749 industries checked, over half, or 375, provide 8 or more holidays for their nonsupervisory employees. This bulletin verifies what has been reported in other publications; that the average number of paid holidays in industry is now seven or eight per year.

The reason I bring that out, Mr. Chairman, is that for a long time we felt we were ahead of private industry in paid holidays. The latest information is that industry has caught up with the Federal Government and in certain areas they are somewhat ahead of us.

Now, pay for holidays worked. BLS Bulletin No. 1470, table 30, indicates that additional pay for holidays at straight time rates is no longer predominant in industry. Of 748 firms surveyed, the following results were obtained regarding extra pay for working on holiday:

No extra pay	120
Specified amounts per hour	1
Less than straight time	17
Straight time	151
Time and one-half	310
Other multiple	145
Other, etc	4
Total	748

In a recently published monograph entitled "Basic Patterns in Union Contracts," Bureau of National Affairs, January 1966, the following was reported:

Fifty-seven percent pay the 1½ rate or better in addition to base pay for work on a holiday; 34 percent pay time and a half; 23 percent pay double time.

The Prentice-Hall "Personnel Policies and Practices Report" indicates that in addition to pay for unworked holidays employees

receive the following amounts according to contracts they have analyzed:

Hourly employees: 31.1 percent at time and a half rate; 24.1 percent at double time rate.

Salaried (nonsupervisory): 19.5 percent at time and a half rate; 16.1 percent at double time rate.

Supervisory: Note the falloff: 1.1 percent at time and a half rate; 2.3 percent at double time rate.

For supervisory employees, other arrangements such as compensatory time may be provided. Indeed, only one-fifth of the private industry units reviewed by the Bureau of Labor Statistics in its study of supplementary compensation benefits for nonproduction workers—1963, which is the latest study we have—provides extra pay for supervisory employees. In contrast, the Post Office Department pays extra compensation to all supervisors in PFS–7, which is the vast majority of our supervisors, and below that for holiday work.

The Post Office Department grants compensatory time off to supervisors in PFS–8 and above for work on holidays—except Christmas Day for which extra compensation at time and a half rate times the basic rate is mandatory.

The above are the facts as to prevailing practice for employment on a holiday. On balance, and I emphasize on balance, and in terms of total annual compensation for holiday work, the Post Office Department is within the range of comparability in that, first, for seven holidays we pay straight time additional and for Christmas Day we pay all employees at the 150-percent rate, and secondly, the eight holidays are always granted whether the holiday falls on a Saturday, Sunday, or an employee's "off" day. This assurance, Mr. Chairman, is not always the case in industry. For example, only 40 percent of contracts studied by Prentice-Hall gave Friday off for a Saturday holiday. We believe in view of these facts, and the action of the Congress only a few months ago, that at the present time there is no need for further legislative adjustment of holiday benefits.

I indicate at the present time, I am not saying forever, because as this indicates, practices in private industry change, but I am saying on balance in view of the action taken by this committee last year and in view of the facts discussed here, and in view of the fact we pay all seven holidays straight time additional, we see no need for change in the holiday picture.

Overtime for subsitutes after 8 hours: As indicated in our testimony before this committee last year, the Post Office Department was sincerely concerned about, first, the excess hours or work required of many postal employees and, second, the fact that substitutes were not properly accorded overtime pay for excess hours of work. As for our first concern, we reduced considerably the number of excess hours of work required of each employee by adding thousands of new persons to our rolls. Forty hours of work a week under contemporary conditions is a plenty, in my estimation.

As for the second, we urged the enactment of legislation to permit payment of overtime to substitutes after 40 hours in a week. This was enacted by this committee.

The question now is whether we should take the next step; namely, overtime for substitutes after 8 hours in 1 day. The answer to this question depends on your response to these three considerations:

First, will it be helpful to the postal service?

Second, will it be helpful to the postal employee?

Third, what is the prevailing practice in industry?

As this committee knows, the postal business is a 7-day, 24-hour-a-day operation. The clock does not stop for us. Further, we have peak periods and unpredictable peakloads. To make mail deliveries when a regular is unexpectedly out, we need a substitute; when an unplanned and heavy load is brought to an office, we must put on extra man-hours to meet dispatch times; when trains are late, when airports are closed, we need unplanned increments of man-hours. Our substitute force is geared for such eventualities. This means employment for 10 hours on 1 day, 6 hours the next, 9 hours the next, and so forth. It means using students on less desirable tours or peakload periods to relieve our regulars; housewives and students during the Christmas rush, Mother's Day, et cetera.

If overtime after 8 hours in 1 day were required, the premium pay penalty would cause us to reconsider the manner in which substitutes are used under certain circumstances. A penalty rate is placed on an employer to force him to hire extra hands, to organize his work more efficiently, or failing that to pay the penalty. I doubt whether postal service will be improved. I doubt whether we can reduce our substitute needs. I can only see that this would result in a total cost increase.

Now as far as the postal employee is concerned, there is a serious question as to whether overtime after 8 hours in 1 day for substitutes will be a real benefit to the employees. The added cost will certainly cause us to consider employing additional part-time help. Instead of helping an employee interested in getting his maximum earnings in a short period of time, we might well be curbing him.

College students used on weekends, for example 12 hours on Saturday and 12 hours on Sunday, would be typical victims. If we must pay overtime then we would either employ new, probably temporary, persons or shift the work to our regulars, if at all possible. From the complaints we received, Mr. Chairman, this past year on our efforts to reduce work hours to a normalized 40 hours a week, I foresee thousands of complaints if we shut off a substitute's day after 8 hours. Many of them would not make 40 hours a week under such circumstances. And I think this is an important consideration about complaints from the clerical organizations that indicate to me that even now, due to certain provisions of the pay bill passed last year, some of our substitutes aren't making 40 hours a week. I think it is an important consideration.

I think the key point here, Mr. Chairman, is the fact that substitutes differ from regular employees in that they are on-call people, they have to work varying schedules, and it is really putting a severe scheduling problem on management, if we could not work an employee 9 or 10 hours a day, and the next day perhaps only 6—we agree thoroughly with the over 40 as being the basis for premium pay, we strongly advocated it last year and we are happy the committee enacted it, but I do think at this time there is a real question as to whether we should go further by providing overtime after 8 hours in 1 day for

substitutes. Not for the regular employees, because we have this already for the regular employees.

Prevailing practice emphasizes premium pay after 40 hours in a week. The situation is not nearly as clear as regards hours in excess of 8 in 1 day. The single, comprehensive Federal law on the subject is the Fair Labor Standards Act. That act covers all industries in interstate commerce. But, under that act the requirement is overtime after 40 hours in 1 week, not overtime after 8 hours in 1 day. The act was significant in that it nationalized the 5-day week, for simply emphasizing the 8-hour day did not help the employee who worked 6 days a week for 8 hours a day.

Further, even under the Fair Labor Standards Act there are millions of employed persons who are exempt from the 40-hour week provisions. Only 29 million out of the 69 million employed people at work in the United States are subject to the Fair Labor Standards Act. The results are these, as reported by Bureau of Labor Statistics in its more recent report:

First of all, 1 out of every 4 wage earners worked more than 41 hours a week.

Secondly, of those who worked more than 41 hours a week, only one-third received premium pay.

Third, those who usually work overtime and those who worked very long hours were least likely to receive premium pay.

Thus premium pay for overtime is not as common a practice as generally believed. As might be expected, the larger the company and the heavier the concentration in production work, the more likelihood the employees are covered by legislation and by good union contracts specifying overtime at premium rates.

Of 400 contracts reviewed by the Bureau of National Affairs, 90 percent specified time and one-half for overtime after 8 hours in 1 day. But we ought not to look at these contracts as appropriate comparisons with our substitutes. They should be compared to our regulars, who get overtime after 8 hours. Our substitutes are really a unique group. As a cadre of on-call personnel who work as workload demands, total weekly hours are far more meaningful for overtime purposes than daily hours.

We firmly believe that at this time the current premium pay arrangements for this group should stand. In this connection it is also worthwhile to note that the entire Classification Act is still structured around premium pay on a weekly, not a daily basis.

It is noted that Mr. Hanley's bill eliminates the present option to grant compensatory time off to supervisors in PFS–8 level and above for overtime work. The bill would make mandatory the payment of overtime compensation at the 150-percent rate. In this connection, the Bureau of Labor Statistics found that only one-third of the units covered in its study of supplementary compensation paid any amount for overtime work by "exempt," that is, supervisory, employees; the most common rate in these cases was straight time, rather than 150 percent.

The Post Office Department has used its present authority to pay overtime rates or to grant compensatory time off in a flexible manner. To illustrate, supervisory employees were given overtime pay for excess work during the Christmas period in 1965. The practice of

granting compensatory time off has thus been restricted to normal periods.

The present authority of the Post Office Department, which requires the payment of overtime compensation to supervisors in PFS-7 level or below, and provides optional pay or compensatory time in higher levels, is liberal by industry standards. We see no justification for further liberalization at this time.

From the above material, and you will note, Mr. Chairman, I have attempted to make my presentation as factual as possible, including occasionally a few statistics that may not always bolster my case, but given the information we have gotten from the Bureau of Labor Statistics and our own information these conclusions might be drawn:

1. Base pay: Average industrial eranings from 1961 through 1965 increased by 16½ percent, whereas statutory increases, in base pay alone, have totaled over 19 percent for postal employees during the same period. The President's recommendation of an increase in base schedules, averaging just under 2.9 percent for all pay systems, starting January 1, 1967, as a comparability pay adjustment, continues this favorable relationship.

2. Retirement and health insurance: The fringe benefits package being submitted to the Congress by the President is an extremely meritorious document. Postmaster General O'Brien had the privilege of serving on this Cabinet Committee on Retirement and concurring in the Committee's report. Enactment of the proposals in the package will improve significantly the total compensation value of Federal employment and will take care of many issues which have been long pending before this committee.

3. Overtime: Our rate for all employees is well within industrial practice. Providing substitutes with overtime after 8 hours in 1 day in addition to their assured overtime after 40 hours in 1 week is indeed, in my opinion, questionable at this time. The cost could be about $19 million a year.

4. Holiday premium: On balance our present method of compensating for holidays "not worked" as well as "holidays worked" and paying Christmas at 150-percent extra meets prevailing conditions.

5. Weekend premium: There is hardly any evidence to support extra pay for Saturday work. Our 25-percent differential for Sunday work is definitely in line with what progressive employers now pay.

6. Premium compensation for supervisors: Our present system of "cash or comp" is clearly in line with industrial practice.

This discussion sums up the principal features of the proposals before this committee on postal pay and related benefits. It has been a privilege to discuss them with you and, as in the past, I look forward to working with the committee to improve employee benefits again this year. I am sure we have not covered all the points of interest to you; however, I will be glad to answer any questions the committee—which is one of the hardest working committees in the Congress, in my estimation—may have.

I have also included, Mr. Chairman, at the back here a pay chart which we were able to have drawn up, for the postal field service and——

60-359—66——4

Mr. UDALL. Without objection, the two schedules will appear in the record at this point.

(The schedules referred to are as follows:)

Postal field service schedule

PFS	Per annum rates and steps											
	1	2	3	4	5	6	7	8	9	10	11	12
1	$4,170	$4,310	$4,450	$4,590	$4,730	$4,870	$5,010	$5,150	$5,290	$5,430	$5,570	$5,710
2	4,520	4,670	4,820	4,970	5,120	5,270	5,420	5,570	5,720	5,870	6,020	6,170
3	4,890	5,055	5,220	5,385	5,550	5,715	5,880	6,045	6,210	6,375	6,540	6,705
4	5,305	5,480	5,655	5,830	6,005	6,180	6,355	6,530	6,705	6,880	7,055	7,230
5	5,670	5,860	6,050	6,240	6,430	6,620	6,810	7,000	7,190	7,380	7,570	7,760
6	6,075	6,280	6,485	6,690	6,895	7,100	7,305	7,510	7,715	7,920	8,125	8,330
7	6,505	6,725	6,945	7,165	7,385	7,605	7,825	8,045	8,265	8,485	8,705	------
8	7,050	7,285	7,520	7,755	7,990	8,225	8,460	8,695	8,930	9,165	------	------
9	7,625	7,880	8,135	8,390	8,645	8,900	9,155	9,410	9,665	9,920	------	------
10	8,380	8,660	8,940	9,220	9,500	9,780	10,060	10,340	10,620	10,900	------	------
11	9,295	9,605	9,915	10,225	10,535	10,845	11,155	11,465	11,775	12,085	------	------
12	10,305	10,650	10,995	11,340	11,685	12,030	12,375	12,720	13,065	13,410	------	------
13	11,445	11,825	12,205	12,585	12,965	13,345	13,725	14,105	14,485	14,865	------	------
14	12,675	13,095	13,515	13,935	14,355	14,775	15,195	15,615	16,035	16,455	------	------
15	14,000	14,465	14,930	15,395	15,860	16,325	16,790	17,255	17,720	18,185	------	------
16	15,480	15,995	16,510	17,025	17,540	18,055	18,570	19,085	19,600	20,115	------	------
17	17,130	17,700	18,270	18,840	19,410	19,980	20,550	21,120	21,690	22,260	------	------
18	18,530	19,145	19,760	20,375	20,990	21,605	22,220	22,835	23,450	24,065	------	------
19	20,525	21,210	21,895	22,580	23,265	23,950	24,635	25,320	------	------	------	------
20	22,760	23,520	24,280	25,040	25,800	------	------	------	------	------	------	------

Rural carrier schedule

	1	2	3	4	5	6	7	8	9	10	11	12
Carriers in rural delivery service:												
Fixed compensation per annum	$2,365	$2,480	$2,595	$2,710	$2,825	$2,940	$3,055	$3,170	$3,285	$3,400	$3,515	$3,630
Compensation per mile per annum for each mile up to 30 miles of route	88	90	92	94	96	98	100	102	104	106	108	110
For each mile of route over 30 miles	25	25	25	25	25	25	25	25	25	25	25	25

4th-class office schedule

Revenue units	1	2	3	4	5	6	7	8	9	10	11	12
30 but less than 36	$3,985	$4,120	$4,255	$4,390	$4,525	$4,660	$4,795	$4,930	$5,065	$5,200	$5,335	$5,470
24 but less than 30	3,680	3,805	3,930	4,055	4,180	4,305	4,430	4,555	4,680	4,805	4,930	5,055
18 but less than 24	3,055	3,155	3,255	3,355	3,455	3,555	3,655	3,755	3,855	3,955	4,055	4,155
12 but less than 18	2,385	2,465	2,545	2,625	2,705	2,785	2,865	2,945	3,025	3,105	3,185	3,265
6 but less than 12	1,725	1,780	1,835	1,890	1,945	2,000	2,055	2,110	2,165	2,220	2,275	2,330
Less than 6	1,390	1,435	1,480	1,525	1,570	1,615	1,660	1,705	1,750	1,795	1,840	1,885

Mr. UDALL. Mr. Murphy, I think you and your staff have, on short notice and under pressure, prepared a very comprehensive and helpful statement, and I thank you for it.

Mr. MURPHY. Thank you, sir.

Mr. UDALL. I was impressed with the summary of achievements in recent years which you outlined on pages 1 and 2. I think too often we become obsessed with the particular trees and it is good once in awhile to stand back and look at the forest and the changes that have occurred.

I think what this committee and the staff have done, as well as the attitude of the Department and the employee organizations in helping to bring about these major changes and steps forward in the postal and classified pay, is most commendable. When I think that we are adding the fine package put together this year, we have come a long way from the rather haphazard, behind-the-times, inadequate pay and benefit system that we had prior to 1960 or 1961.

I am looking forward to working on this legislation. I believe we can take pride in the steps that have been taken.

I have two specific points to raise. Under Public Law 68 of the 84th Congress, certain employees were transferred from the postal field service to GSA. These were largely maintenance and operations employees in certain post office buildings now handled by GSA. I understand that it is being proposed to provide that certain of these employees in large post office buildings be transferred from GSA to the postal field service. The staff advises me that some inequities which alarm me might occur.

For example let us compare two GSA employees. One now receives $2.65 an hour and the other $2.32 an hour. If these employees were to be transferred back to PFS, they would be reduced to $2.13 an hour, one taking a reduction of over $1,000 a year and the other nearly $500 a year, as well as some reductions in life insurance and retirement allowances.

Would you have any suggestions or objections to amending Public Law 68 in order to give protection to the GSA employees who may be transferred to the postal field service as is now afforded the PFS employees who are transferred to GSA?

Mr. MURPHY. As you know, there is a law that provides that persons coming into the post offices—as distinct from the regional offices—have to enter at step 1. I would like to take a look at how many people might be involved and at the cost, but my off-the-top-of-my-head reaction is this would be something we would probably want to favor. I would want to take a look at the cost but certainly we would be sympathetic to this.

Mr. UDALL. I appreciate that. Perhaps we can correct this in writing this legislation.

At the bottom of page 10 of your statement, commenting on Mr. Olsen's bill, H.R. 12240, you indicate that the Department would have no objection of changing the maximum period of consecutive hours during which an employee may be worked in a day, from 12 to 15 hours. Would it be agreeable if this change were included in the legislation?

Mr. MURPHY. That is correct, Mr. Chairman.

Mr. UDALL. Is the change covered in the proposal or in the statement Mr. Macy made yesterday?

Mr. MURPHY. We have not put that in the form of a bill. That is in Mr. Olsen's bill and, as I have indicated, we'd go along with it.

Mr. UDALL. And you have no objection if it were put into this package?

Mr. MURPHY. That is correct.

Mr. UDALL. That is all I have except to commend the Department and the administration for coming forward the third consecutive year, as you noted, in actually making a pay proposal. We tend to forget that in past years, over the decades, the policy had been in some

administrations to simply wait for Congress to make a proposal then react. In 1962, one of the wisest things the Congress did was to require the administration to come forward each year with a suggested pay proposal and the administration has certainly cooperated with the spirit of that law. I am certainly happy that we are here to consider the 1966 proposal.

The gentleman from New Jersey, Mr. Daniels.

Mr. DANIELS. Mr. Chairman, I likewise want to join with you in commending Mr. Murphy and his staff for getting this fine statement together this morning. It is very illuminating, very comprehensive, and a great deal of work has been put in it. As you have stated, the Post Office Department has come a long way in liberalizing the benefits not only for the Post Office but for the field service and I think the Members of Congress share part of that credit.

Mr. MURPHY. A great deal of it.

Mr. DANIELS. Mr. Murphy, I note in the report of the President's Cabinet Committee that you appear as an alternate member of that panel.

Mr. MURPHY. That is correct.

Mr. DANIELS. Have you shared in the deliberations of the Committee that formulated this report?

Mr. MURPHY. Yes; I have.

Mr. DANIELS. Yesterday, Commissioner Macy testified that the dollar figures recommended by the Cabinet Committee to increase the health benefit contributions of the Government would be sufficient to pay 38 percent of the total cost. In view of the fact that more claims are processed and the cost of such services are increasing, will the Government continue to share that 38 percent of the cost?

Mr. MURPHY. I think the Chairman indicated yesterday that this is one thing over which we have little control, that we can expect the costs to keep going up. Health costs and medical care are going up all the time. For that reason he had indicated two steps we should take to try to bring the benefits up to what we had when the health benefit program was originally passed. I do not know what the further plans of the administration are beyond the 2-year target Mr. Macy set. That falls within the Civil Service Commission's jurisdiction. But I would think the administration would want to keep a very careful eye on trying to maintain a ratio around the 38 percent.

Mr. DANIELS. Originally when the program started, the Government's share was 38 percent?

Mr. MURPHY. That's right.

Mr. DANIELS. Would there be any objection to inserting in any law that we might enact that the Government share be 38 percent?

Mr. MURPHY. I would prefer, Mr. Daniels, that you direct that question to the Director of the Bureau of the Budget or Chairman Macy, because they are the two gentlemen who have the overall jurisdiction of giving definitively an administration answer. It goes beyond the Post Office alone.

Mr. DANIELS. I refer to page 9 of your statement, about the middle of the page, where reference is made to optional retirement after 30 years at age 55. Both you and Mr. Macy testified that the optional retirement should not be only at the selection of the employee, but the employer likewise be given the same privilege—but it will only

extend to the employee in the upper pay brackets. Why do you recommend it to the upper pay bracket?

Mr. MURPHY. The basic reason, Mr. Daniels, is that this is the area, frankly, in which decisions by an employee who is perhaps working under optimum capacity have the most direct effect. These are the top management positions, the positions which in most cases are limited in number and in some cases one of a kind. Therefore, there may not be other jobs suitable to which the man may be transferred, and the man has worked long, he has done a good and honorable job and the management is extremely reluctant to take this decision. That is a blot on his career and, frankly, it takes a pretty cold individual in many cases to have to make decisions of that type. That is the reason we feel that we ought to in these cases have the option of being able to retire a man without it being adverse, and that is what you are forced to do under today's rules and regulations.

We say this is limited to GS–13 and higher. We don't have a great problem, for example, with a clerk or a letter carrier, PFS–4, who perhaps is getting up in years and may not be producing at the same rate of 20 years ago. We now make allowance for age and what have you, but they don't have this direct effect on the system as say a GS–17 or 18 who may be in declining years and may not be producing at full capacity. And management is confronted with what to do about this job. Do you transfer him to another job? Do you propose adverse charges? The man has had an honorable career. I am not in favor of that action.

So that is why we say, and most Federal personnel directors in the Government—I can't emphasize that too much—say that we have to have some management option in the upper levels, and one of the purposes of the retirement system is—as well as providing benefits for employees in their older years—to help management to do its job better.

Mr. DANIELS. Mr. Murphy I don't disagree with your views. I might be inclined to agree with you. I want to know the thinking behind that statement because it was not amplified.

Mr. MURPHY. I appreciate that and I am grateful for your asking that question.

Mr. DANIELS. The Cabinet Committee report recommends that the Government share the cost of retirement on an equal basis. Have you any idea on the 50–50 sharing of retirement as a problem?

Mr. MURPHY. I will say this, in the public testimony before the Cabinet Committee, and we held hearings for several days and heard from a wide range of people, we heard from virtually all the fine postal groups and a number of other employee organizations, almost all the groups testified—and this amazed me somewhat—that they believed in the contributory principle, and indicated they would be in favor of an increase in employee contribution if there were to be increased benefits and if the Government were to meet its share of the contribution—this is an important "if." One of the amazing things was that virtually all the organizations indicated that they believed in the contributory principle. There was only one organization that testified that said they didn't believe retirement ought to be contributory on the part of management and the employee. Virtually all the organizations indicated they would actually go along with

an increase in employee contribution provided the Government began to make sensible plans for financing of retirement—an essential point.

In other words, it would be fair to ask the employees to increase their share if the Government is going to be making a contribution or taking steps to properly finance the system. Now why 50 percent as opposed to 40 or something else, I am not really qualified to give a definitive answer.

Mr. DANIELS. The employee 66⅔ and the Government 33⅓.

Mr. MURPHY. That's the insurance program, but on retirement it's 50–50, it's 6½ percent and 6½ percent. The President's proposal would raise each a half percent on January 1, 1967, to 7.

Mr. DANIELS. With reference to my initial bill, is there any strong objection by the administration that after retirement that the reduction in the coverage, at the rate, under the present law, of 2 percent a month down to 25 percent of the principal sum of the policy, be reduced to the rate of 1 percent a month to 50 percent of the principal sum? There is no comment in your testimony or in Mr. Macy's testimony on that point. Do you approve of what I recommend?

Mr. MURPHY. You are quite correct that there is no comment in the President's message on this particular point. I think the Chairman did have something to say about that yesterday when he appeared before you and indicated the administration is willing to go along with extending the upper limit of the insurance provisions, with a maximum permissible limit and some provisions for financing. I think he also indicated in response to your questions that they'd be taking a further look at it.

I would ask, sir, and I don't want to appear to be ducking that particular question, but it is once again an issue that goes beyond the postal area, sir, and I would like you to direct those questions to either Chairman Macy or Mr. Schultze.

Mr. DANIELS. In view of the pay legislation, retirement legislation, and all the other fringes in one package, I thought we ought to have the administration view very, very precise on that.

Mr. MURPHY. I think Mr. Schultze will have something further to say about that.

Mr. DANIELS. Thank you.

Mr. UDALL. The gentleman from Alabama, Mr. Buchanan.

Mr. BUCHANAN. Thank you, Mr. Chairman.

Mr. Murphy, I would like to join in congratulating and thanking you for this comprehensive report.

Mr. MURPHY. Thank you.

Mr. BUCHANAN. You mentioned provisions of last year's pay bill which have caused substitutes in certain instances to make the 40 hours. Would you mind elucidating?

Mr. MURPHY. One of the problems, Mr. Buchanan, is the fact that the bill last time contained the provision which said no employee can be worked over longer than a 12-hour span. Because of peakload problems sometimes there is work available early in the morning and work available late in the evening, but if a man starts at 7 o'clock in the morning even though he only works 2 hours during the day he cannot work after 7 o'clock in the evening. That has resulted in certain cases in our having to reduce the hours certain substitutes were working. Mr. Swygert can elucidate on it a little more. I think that is the reason for the suggested change in Mr. Olsen's bill.

Mr. BUCHANAN. Is there anything that Mr. Olsen's provision would not satisfy or do to contribute to this?

Mr. MURPHY. I think Mr. Olsen's provision would be very good from our point of view. Mr. Swygert could discuss it from the operations point of view.

Mr. SWYGERT. There are two points to look at as it pertains to this. One, I think the 12-hour provision was put into the law last year to eliminate some abuse in the larger post offices as substitute employees were being utilized in these post offices. So the intent of the 12-hour rule was good and valid to eliminate some abuse in the scheduling of these employees. At the same time, it has served to the detriment of some employees in the smaller post offices. These were post offices that have a peakload usually from 5 o'clock in the morning until about 8. Likewise they have the same people over in the evening. And I can cite any number of post offices. One had six substitutes in the clerical and these six substitutes were working from 5 to 8 every morning and they were likewise working each evening and as a result they made about 40 hours. As a result of this law we can only utilize them during one of these periods, so these employees are only making about 18 hours a week as a result of this, and we have had to add six employees to this particular office.

Now this is multiplied many times over the country. While I have cited one exact example, this is multiplied because there are hundreds of offices just like the one I have mentioned.

We have also gone into these offices to try to reschedule regular employees to reduce or eliminate the need for these part-time employees in the morning and in the evening. In some cases we have been able to overcome it but not in all. So it is a very real problem. And yet I am not critical of the provision of the law, which certainly was put in to eliminate abuses in some of the other offices.

Mr. BUCHANAN. I have not been unaware that the problem existed and I would rather agree this was not part of the intent of Congress, in my judgment, or this committee, to create this situation. But I wanted to make certain in your judgment Mr. Olsen's provision would be sufficient to in the main solve this problem, that there is nothing else we needed to do.

Mr. MURPHY. I do want to emphasize what John has said here. We do not believe that the provision that no employee should be worked more than 12 hours a day should be changed. That is sound and good progressive social policy. I do believe the point Mr. Olsen is talking about, and the point we would go along with—is what Mr. Swygert explained, that is the limitation of the 12-hour span—which results in only 2 or 3 hours' work a day for some employees and they are prohibited from working beyond. It was well intended but the way it worked out has caused problems and we have gotten complaints and I am sure you have, too.

Mr. UDALL. The gentlemen from New Jersey, Mr. Krebs.

Mr. KREBS. Mr. Chairman, I feel compelled to say that in view of the testimony contained in Mr. Murphy's statement I believe we ought to be protected in the right to confront Mr. Murphy at some future time. It is impossible for me to assimilate these 22 pages of testimony in this short period.

Mr. UDALL. If the gentleman will yield, there is no intention to restrict the very diligent member, who knows the high esteem I have for him. I don't think anyone was attempting to prevent discussion.

The Chair's philosophy is we have to have a start on this and until we have heard from Mr. Macy and the Post Office Department, we can't begin and the gentleman will be fully protected to make any inquiries before we begin to write a bill.

Mr. MURPHY. I would be delighted to appear any time.

Mr. KREBS. I thank the Chairman and Mr. Murphy, and I am sure it isn't necessary to say that the feeling is mutual.

I want to thank you also for the amount of effort you put in your testimony and for coming here to give it to us. I do have a few questions.

First of all, I saw you sitting in the audience yesterday while I was questioning Mr. Macy and I want to say my economic viewpoint hasn't changed very much since yesterday afternoon. I still feel that way and I ask you how you feel about the points I made to him yesterday?

Mr. MURPHY. I feel this way, Mr. Krebs: I think the President is trying diligently to try to prevent growth of inflation in this country which would have an adverse effect on the real earnings of the rank-and-file people. In addition, he is trying to finance a serious situation in Vietnam in an attempt to win an honorable and decent peace. It's a costly affair.

At the same time he is attempting to finance many of what I consider to be essential items of the Great Society, and at the same time to take progressive steps for on-going programs of the Government, to expand them within that framework with all the problems we have to face.

He has made repeated appeals to industry and labor to try to exercise restraint. He has taken rather drastic action in regard to aluminum and copper and a few other industries where they have suggested price increases not in the national interest, and I think he has attempted to apply the guidelines in both prices and wages, so I don't think it's a one-sided——

Mr. KREBS. May I ask this: Do I have a 10-minute limit?

Mr. UDALL. We are applying the 10-minute limit. However, in view of the attendance, I think there will be opportunity for seconds. The chairman had reserved for himself 4 minutes and I now yield you those 4 minutes.

Mr. KREBS. Thank you.

I agree we ought to be on guard against the threat of inflation. Other needs we didn't agree on. The Great Society is something I voted on in the 89th Congress and I am proud of my record. I don't believe you can adequately control inflation and finance the Vietnam situation by imposing a 3.2 limitation in increase on direct wages and fringe benefits of the Federal service worker, and at the same time allow corporations like General Motors to increase their profits for the last quarter of 1965 over 1964 by 65 percent—or Ford by 61—nor the dividends paid to stockholders. Pick up the Wall Street Journal or Washington Post and every day there are pronouncements about recordmaking dividends paid to stockholders after taxes. I want to say to you the figures for these corporations are after taxes.

It seems to me if we have inflation hovering over our heads we ought to take complete and comprehensive steps to cope with it. I ask you if you agree or disagree with my notion that you can't control

inflation by limiting the increase to the Federal civil service employees and not dealing with the other aspects of our economy?

Mr. MURPHY. I think you have to deal with all aspects, and I think the President is in agreement, that is his philosophy, he's been attempting to do this, and I think in expert fashion. Generally when he takes action they say we ought to control others.

Mr. KREBS. I say what we ought to do is sit down and discuss it, work out planning that applies to the whole problem, invoke it simultaneously, and not limit civil service employees to 3.2 increase, but in toto. On the question of Vietnam no one would argue for a minute. We are all willing to make sacrifices. We should all make them but I don't believe that is being done where the overwhelming majority are enjoying the fruits of our great wealth and the productivity of this country.

Also, you made one point I would like to address myself to. You referred to continuous process industries. It is your sincere conviction the post office is a continuous process industry?

Mr. MURPHY. Yes, sir. We attempted to give our viewpoint on that last year when testifying on questions of overtime. We showed that certainly that is the case of Saturday, and on Sunday I believe our work force is about 20 percent.

Mr. KREBS. My office is in the Federal Building in Newark, N.J., and the post office is on the first and second and probably the third floor. I tried to buy a postage stamp on several Saturdays at 12:05 p.m., and nobody was available. I have tried to send registered letters and no one was available and I had to drive to 33d and 8th Avenue in New York to send a registered letter.

Are you trying to compare this with the fire department or police department or perhaps a hospital where they work 24 hours a day 7 days a week? I am not asking that you agree we call a continuous process industry one where a fellow takes care of the boiler, for example, and he works 7 days a week. Do you honestly want us to believe that you are telling this committee that the overwhelming number work around the clock 7 days a week?

Mr. MURPHY. Sixty-six and two-thirds percent work on Saturday.

Mr. KREBS. How long?

Mr. MURPHY. I ask permission to supply that for the record.

Mr. KREBS. Where were they when I went there, I would like to know?

Mr. MURPHY. Probably on RPO cars, working in the terminal facility, or working the routes.

Mr. KREBS. I wish you would supply the official records. I am sure they would be enlightening because I haven't seen the workers there, and I go into the back of the building to get to the parking lot.

I remember the schedule for years for picking up mail. I have worked across the country, and there is not nearly as much pickup on Saturday or Sunday as Monday through Friday.

Mr. MURPHY. No question about that.

Mr. KREBS. And I put letters in the mailbox on Sunday that have laid there until Monday, because they are postmarked on Monday, the cancellation date. I think it would be good to submit that information. I would appreciate that.

Mr. UDALL. Without objection, it will appear at this point.

(The material referred to follows:)

PARTICIPATION OF WORK FORCE IN MAIL ACTIVITIES ON SATURDAYS AND SUNDAYS

1. Clerks and mail handlers on 8-hour tours: 66 percent on Saturday; 25 percent on Sunday.
2. Letter carriers on 8-hour tours: 80 percent on Saturday; 3 percent on Sunday.

Mr. KREBS. You also use a yardstick on page 14 of your testimony that I can't agree with. You refer to a study that you used for comparative purposes, "Supplementary Compensation for Nonproduction Workers."

Is it your belief that the Post Office workers in the full sense are not manual or productive workers as distinguished from office and clerical workers? That is what the distinction really is.

Mr. MURPHY. I think we used varying figures. In some cases we used—on page 5 I think we did—production workers.

Mr. KREBS. I am talking about this specific authority you are quoting here. It is my honest judgment in large measure postal workers are truly productive or manual.

Mr. MURPHY. I think they are more so than any other type in the Federal Government.

Mr. KREBS. When we compare wages or benefits with other nonproduction we are not making a fair equity comparison.

Mr. MURPHY. As to white-collar workers, they are sort of in between——

Mr. KREBS. You mean to tell me that the men on trucks, or the ones who sort, or deliver, or the fellows who take care of registered delivery, are white-collar workers?

Mr. MURPHY. I will say our people have always felt themselves above the blue collar and I would fully agree in terms of level of responsibility and knowledge required for the job, so I don't think it is fair to say that for this single purpose they are production workers.

Mr. KREBS. This is not an attempt to demean the importance of the work they do. I am reminded of a friend of mine, an aircraft mechanic. He has an A. & E. license issued by the Government, lots of skill and training, but he doesn't consider himself white collar. He is blue collar. And there are tool and die people, for example, and nobody looks down their noses at them, and I don't think they do at the postal workers.

Mr. MURPHY. This goes back to the old problem of comparability, what the postal worker is equal to. I think we have arrived at the conclusion they are unique, they are not equal to anything else in private industry and for that reason we don't equate them with production or nonproduction.

Mr. KREBS. Why did you use studies that deal with the lowest element?

Mr. MURPHY. I didn't. Look on page 5.

Mr. KREBS. Page 5 is one of the pages I intend to ask about later. I was delayed in arriving and you were up to page 5 when I got here, but I will get to it.

You also deal with the Fair Labor Standards Act. Do you know you have to be engaged as an industry in interstate commerce before you come within its purview, and don't you think that changes the import of the figures you use in your testimony that only 29 million workers are covered by the Fair Labor Standards Act?

Mr. MURPHY. As a matter of fact, my——

Mr. KREBS. I don't mean to be impolite and interrupt, but when you come in here and say workers enjoying benefits under the act, the 29 million out of 69 million cases, this is not so broadly prevalent as one may think. I think you should say in order to make this equity presentation support your point of view that this is partly due to the fact that under the lack of authority of the Federal Government to legislate for strictly intrastate, like the service employees who constitute the largest part of the 69 million workers are workers not involved within the meaning of interstate commerce, within the meaning of the act. So I think you ought to point out the significance of this 29 million enjoying certain benefits is not nearly so important as one might gather—do you agree?

Mr. MURPHY. I think that the law, the Davis-Bacon, Walsh-Healey, the Classification Act, what have you, all clearly provide——

Mr. KREBS. But again these are only applicable to workers involved in interstate commerce, and the overwhelming number are not involved in interstate commerce and therefore not entitled to come under this law. This is what you have to put on the record. That's why I now ask you to say you used statistics to bolster your argument—but you used them anyway.

Mr. MURPHY. Not at all. I have to say on balance.

Mr. KREBS. Well, OK. Page 19 of your statement, according to the Bureau of National Affairs, 90 percent specified certain things, but you went on to dismiss it as not being germane to invoke here.

Mr. MURPHY. The reason is, I would have no hesitancy in equating our regular with the employees in BNA's study, but I say there is a difference between the regular employee and substitute. The substitute, in meeting peak loads, has to be in the nature of an on-call employee. To restrict management to paying substitutes overtime over 8 hours in a day, when frequently we have to work them 9 or 10, is overly restricting the flexibility which we need.

Mr. KREBS. I have a diametrically opposite point of view. It seems to me because they only work part time and because they don't enjoy the fruits of a full week's pay and enjoy all the benefits, this ought to be added reason for giving them the same conditions as people who work on a full-time schedule. It seems to me that the question of morale is something that you have not mentioned in your testimony—I am sure you haven't overlooked it—but do you think it makes for more harmony and productivity in the shop to be paying one group for work in compensation of 8 hours and not the other, when they are doing the same precise work? I think this is the yardstick to be applied.

Mr. MURPHY. I think in terms of the essential nature of the subs that over 40 hours in the week is the most meaningful standard for overtime pay and what you are actually proposing might actually end up reducing the hours worked because management, if they are going to have a choice of working a man at his premium rate or using someone else is generally going to take the second option. Because of the uneven nature of the sub's daily workload, if he doesn't get to work 10 hours some days, he is probably going to be sure to be worked less than 40 hours a week—and the very people you are trying to help are going to end up being hurt.

Mr. KREBS. This is true and only confirms my point, that the philosophy of the employment policy of the Post Office prevails in

this case. If you changed the philosophy and didn't lay them off and they work less than the needed number of hours to avoid paying premium benefits you wouldn't have this problem.

I might say it might be advisable to start using substitutes to provide the labor that you need and not to pay one group overtime to avoid paying another overtime. I think if you put the emphasis on that aspect you would eliminate a lot of the problem.

Mr. MURPHY. We are working a lot of substitutes overtime hours right now. Mr. Swygert can testify to that. We do pay quite a bit of overtime to regular employees. As a matter of fact, we caught a little of the dickens about paying as much overtime as we do. We know in many cases it's cheaper to have the Post Office in the long run working a regular employee and paying overtime than having an inexperienced employee doing it at straight time. This varies from post office to post office and employee to employee. I agree in many cases it is cheaper to work a regular employee and pay overtime.

Mr. KREBS. Let me ask you one closing question. Do you believe that the services the substitutes provide for their x dollars and cents an hour are any less valuable and any less important than the services provided by the regular employee?

Mr. MURPHY. I think all are extremely important.

Mr. KREBS. Does one work harder?

Mr. MURPHY. One may work less efficiently. I think the regular employee is, generally speaking, more efficient and that is the reason I made my comment.

Mr. KREBS. To try to get—what is it, 600,000 employees in the Post Office?

Mr. MURPHY. About 630,000.

Mr. KREBS. To try to get work equally efficiently is like the State legislatures to try to reapportion the congressional districts in any State. You can't with absolute equity redistribute any districts in the State.

I have no further questions.

Mr. UDALL. The gentleman from Michigan, Mr. Clevenger.

Mr. CLEVENGER. Mr. Chairman, I would be happy to loan my time to my colleague if he wants to ask more questions. He has more difficulty, apparently, with postal people in New Jersey than I have in Michigan. At 5 after 12 on Saturday there is a little back door that you knock on and you can buy a stamp and you can even get a cup of coffee. [Laughter.]

Mr. Murphy has presented an excellent statement and has pointed out the great difficulties they have.

I have no questions.

Mr. UDALL. Any further questions? If not, the chairman will ask unanimous consent that a letter from Chairman Macy, dated March 7, directed to Chairman Murray of the full committee commenting on some bills before us appear in the record at this point.

Without objection, it is so ordered.

(The letter referred to follows:)

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., March 7, 1966.

Hon. TOM MURRAY,
Chairman, Committee on Post Office and Civil Service,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further response to your request for the Commission's views on H.R. 12094, H.R. 12326, H.R. 12489, H.R. 12240, H.R. 12288, H.R. 12838, and H.R. 12924, to adjust the rates of basic compensation of certain officers and employees of the Federal Government, and for other purposes.

The Commission opposes enactment of these bills. The following comments are confined to the principal provisions of all the bills for a general 7-percent Federal salary increase.

There are certain minor discrepancies in the pay schedules of these bills. H.R. 12838 differs from the others in proposing higher rates for level PFS-6 and all the levels above 6 in the postal field service schedule. The bills also propose a variety of increases in rates of premium pay for postal employees which do not appear warranted.

The Commission's overriding concern, however, is with the general proposition of an across-the-board 7-percent Federal pay raise. An increase of this nature would be contrary to the statutory policy for Federal salary levels. It would also be in excess of the 1966 wage guidepost.

The Federal Salary Reform Act of 1962 establishes two principles for Federal statutory salary schedules:

> Equal pay for substantially equal work, and pay distinctions appropriately reflecting work and performance distinctions.
>
> Salary rates comparable to those in private enterprise for the same levels of work.

The act further specifies that Bureau of Labor Statistics surveys are to provide the factual information about salary rates in private firms necessary for maintaining Federal salary schedules comparable with private enterprise pay.

Comparisons of current Federal salaries with the latest Bureau of Labor Statistics survey findings released in November 1965 show that greater salary increases at the upper Federal grades than at the lower grades are necessary to make fully effective the statutory comparability principle. The specific increases that would be needed for this purpose range from none at all at grades GS-1 to 20.1 percent at GS-18. Other examples of the increases called for are 2.4 percent at GS-5 and 9.2 percent at GS-11. Thus a 7-percent across-the-board increase is more than is necessary at the lower grades and less than is necessary at the upper grades to carry out in full the policy of Federal saries equivalent to pay levels in the private economy.

In the interest of maintaining stability the Council of Economic Advisers established a rate of 3.2 percent as the 1966 guidepost for noninflationary increases in compensation. The President's Economic Report stated that Federal actions should conform to this guidepost.

The Commission recommends against enactment of these bills, and urges instead prompt enactment of the President's 1966 proposals to Congress for increases in statutory salary schedules coordinated with improvements in the civil service retirement system and in health benefits.

The Bureau of the Budget advises that from the standpoint of the administration's program there is no objection to the submission of this report.

By direction of the Commission:

Sincerely yours,

JOHN W. MACY, Jr., *Chairman.*

Mr. UDALL. The next meeting of this subcommittee will be at 10 o'clock tomorrow morning in room 346 where we met yesterday. The subcommittee will stand adjourned until then.

(Thereupon, at 11:25 the subcommittee was adjourned, to reconvene at 10 a.m., Wednesday, March 9, 1966, in room 346, Cannon Building.)

FEDERAL SALARIES AND FRINGE BENEFITS

WEDNESDAY, MARCH 9, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMPENSATION OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 10 a.m., in room 215, Cannon Building, Hon. Morris K. Udall (chairman of the subcommittee) presiding.

Mr. UDALL. The Subcommittee on Compensation will come to order for the further consideration of legislation relating to Federal salaries and fringe benefits.

We reserved this morning for the testimony of Mr. Jerome J. Keating, president of the National Association of Letter Carriers.

Mr. Keating, we are happy to have you here with your fine staff and officers. I assume you will identify them as we go along.

Mr. KEATING. Thank you, Mr. Chairman.

To my right is James H. Rademacher, vice president of the National Association of Letter Carriers; next to him is J. Stanly Lewis, our secretary-treasurer; next to him is George Bang, our director of life insurance; and at the end of the table is James P. Deely, director of health insurance. On my left is J. Don Kerlin, who is legislative consultant; and at the end of the table is C. N. Coyle, assistant secretary-treasurer.

Mr. UDALL. The subcommittee welcomes all of you, gentlemen.

STATEMENT OF JEROME J. KEATING, PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS

Mr. KEATING. Mr. Chairman and members of the subcommittee, my name is Jerome J. Keating. I am president of the National Association of Letter Carriers, an organization representing 180,000 letter carriers located in every State of the Union, the District of Columbia, and Puerto Rico. I am accompanied this morning by James J. Rademacher, vice president; J. Stanly Lewis, secretary-treasurer; Charles N. Coyle, assistant secretary-treasurer; George A. Bang, director of life insurance; James P. Deely, director of health insurance; and J. Don Kerlin, legislative consultant.

We are pleased to have this opportunity to testify on the pending pay legislation. We want to extend our thanks to Mr. Udall for promptly scheduling hearings on this most important subject.

We also want to express our thanks to President Lyndon Johnson for maintaining the principle of annual pay recommendations. This is the most important provision of the 1962 law. Indeed, it is because we have not had annual increases in the past that we are behind at the present time.

We want to express our thanks to Congressmen Arnold Olsen, Dominick Daniels, Glenn Cunningham, Paul Krebs, and James Hanley, of this committee for introducing legislation on this most important subject. Congressmen William Randall and Henry Helstoski have also introduced bills for pay increases; we are most grateful to them for this action.

Practically all of the bills introduced call for a 7-percent pay increase. We believe that a 7-percent pay increase is fully justified at this time.

There are different provisions on other matters in the bills that have been introduced, particularly in overtime provisions. Most of the bills call for overtime for postal substitutes after 8 hours' work—this we favor. The Cunningham bill carries the provisions of the so-called Dulski amendment—this, too, has our hearty endorsement. The one point on which all sponsors agreed was that a pay increase was necessary.

Meeting at Bal Harbour, Fla., on February 25, 1966, the Executive Council of the AFL–CIO issued the following statement:

The AFL–CIO Executive Council firmly believes that the Federal Government, the largest single employer in the Nation, must make certain its employees enjoy every economic and social advance our country makes.

Nearly a million of these workers are members of the AFL–CIO, with the right to bargain on matters other than salaries and fringe benefits. But these unions cannot bargain on wages, so the importance of Government proposals for improvements in salaries and other benefits has more than ordinary significance.

We are concerned over the failure of the administration to propose to Congress measures to achieve full, current comparability between private industry and Federal Government salaries paid postal and other Federal workers. We reaffirm this position as pronounced by President Meany on April 14, 1965, as a member the President's Special Panel on Federal Salaries.

The policy of comparability between Federal and private industry rates remains only a promise; it must become a reality.

With this we are in hearty agreement. In our efforts to secure proper pay adjustments, we have met with many obstacles. In the past we have encountered Presidential vetoes, and delays of many sorts. Since 1962 we have labored under a comparability system that does not provide proper comparability for letter carriers—and, in addition to the restrictions of an inadequate comparability, we now have binds imposed by the guidelines.

An excerpt from the Annual Report of the Council of Economic Advisers, January 1963, titled "Guideposts for Noninflationary Wage and Price Behavior" reads in part as follows:

* * * These guideposts were designed to provide standards for evaluating these price and wage decisions where the public has an interest in their content and consequences. They cannot, and should not, replace the normal processes of free private decisions and negotiations.

As the margin of unemployed labor and idle capital narrows, and as markets for goods and services become tighter, the guideposts will gain in importance. They are restated here in the belief that an enlightened public understanding of the nature and causes of inflation would be an additional force minimizing any inflationary threats in the years ahead.

The guideposts themselves involve general guides for noninflationary wage and price behavior, subject, in each case, to a number of important and specific qualifications required by the objectives of equity and efficiency.

The general guide for wages is that "the rate of increase in wage rates (including fringe benefits) in each industry be equal to the trend rate of overall productivity increase."

Under these conditions the gain from increases in productivity throughout the economy would be shared between wage and nonwage incomes by allowing each to grow at the same percentage rate. Each sector of economic life would share in the gains of advancing productivity.

The AFL-CIO Executive Council, meeting at Bal Harbour, Fla., on February 26, 1966, had the following to say on "The Wage Guideline."

Organized labor has consistently opposed the Government's wage guideline policy as unfair and unworkable. The President's Council of Economic Advisers has now provided an additional reason for opposition.

By discarding its own rules for calculating the wage guideline, in a flagrant effort to keep it low, the Council of Economic Advisers has destroyed the guideline's credibility, has helped to accelerate the shift of incomes away from wage and salary earners to other groups in the economy, and has added to imbalances that can undermine healthy economic growth. Neither trade unionists nor members of the public at large can be expected to accept such a one-sided shift in the method of arriving at the guideline figure.

We do not believe that price stability is a top priority goal to which workers' equity must be sacrificed.

In 3 of the past 4 years of the Government's wage guideline, the actual rise of productivity in the private economy was substantially greater than the guideline for wages. To permit the guideline to rise to 3.6 percent this year—as the Council of Economic Advisers' own rules would have required—would merely partly offset the wage deficits in the years from 1962 through 1964, when the guideline was substantially below the rise of productivity. By discarding its rules now, in order to maintain a 3.2-percent figure, the Council of Economic Advisers has clearly violated any standard of equity.

There are built-in restraints in the determination of wages that are not present in other economic factors. In unorganized companies, wages are set unilaterally by the employer. Where employees are represented by unions, wages are determined jointly, through collective bargaining, with the restraint of employer resistance. In addition, millions of employees in major industries are covered by long-term agreements, that provide extensive periods of time before they are subject to renegotiation. On the other hand, prices in several key industries are effectively set by a few top executives of the dominant corporations and in many other industries, prices respond to immediate market opportunities, with little if any regard for costs.

Moreover, there is no evidence of general wage-cost pressures on the price level. In his recent Economic Report, the President stated that unit labor costs in the national economy "have barely moved as gains in productivity have largely offset moderate increases in hourly labor costs." In addition, in the key manufacturing sector, unit labor costs have been in a declining trend since 1960 and the Economic Report shows that such costs declined eight-tenths of 1 percent last year.

Despite this record of relatively stable unit labor costs in the economy as a whole and declining costs of labor per unit in manufacturing, the level of consumer prices has risen over 1 percent per year in recent years—washing out part of the value of wage and salary gains. But the wage guideline takes no account of the rise in living costs, a factor of major importance to workers.

By not taking increased living costs into account, the CEA has further short-changed the workers since a 3.2 percent guideline increase does not translate into a 3.2 percent increase in buying power.

During the past 10 years, the buying power of wages has lagged behind the rise of the economy's productivity. From 1960 to 1965, for example, when output per man-hour in the total private economy rose at an average yearly rate of 3.6 percent, the buying power of employee compensation per hour, in the private economy increased only 2.9 percent per year. This lag reveals a continuing shift of income, away from wage and salary earners to other groups in the economy.

While workers' buying power has been lagging behind the increase of productivity, profits and dividends have been rising, much faster than employee compensation. In 1965, for example, corporate profits rose 15 percent before taxes and 20 percent after taxes, more than twice as fast as total wage and salary payments. Last year, General Motors' profits reached a spectacular $2.1 billion after taxes, up 23 percent from 1964. However, there are no Government guidelines for profits or dividends.

The economy needs a rapid restoration of balance between business profits and workers' buying power, rather than an increasingly unbalanced lag of wages and salaries behind profits and dividends.

Only through such a restoration can we insure the Nation's ability to purchase the goods and services of our rapidly expanding productive capacity.

60-359—66——5

This is the statement of AFL–CIO to which we entirely agree on the subject of guidelines.

We, too, agree that industries, whether private or governmental, where guidelines are effective, suffer in comparison to other workers and to other segments of the economy.

Business Week, commenting on statements made by the Nation's leading economists, included the following statement of Leon Keyserling, formerly economic adviser of President Truman. In this quote he was referring to the tax reductions:

"The cuts," said Keyserling, now president of the Conference on Economic Progress, were "improperly designed structurally, because they did not put the additional purchasing power where most needed." He was similarly scathing about wage-price guideposts, which "have been stacked to feed the fat and starve the lean." He would have preferred an excess profits tax.

The rate of Government pay increases has lagged behind industry for a great many years. The industry pay increases are slow; the Government pay increases are slower. We have constantly been compelled to settle for lesser amounts than those we have been able to justify.

Last year we received a 3.6 percent pay increase. Others received more. The clipping from the Milwaukee Journal tells a story of those who fared well.

UNITED STATES POINTS TO BIG WAGE BOOSTS HERE

The Labor Department, in its campaign for restraint in wage increases, reported Thursday that electricians' wages rose 7.8 percent and plumbers' 5.7 percent in the Milwaukee area last year.

The same increases had been reported earlier in cents per hour, but this was the first time that percentages for this area had been pointed out by the Department's Bureau of Labor Statistics.

They refer to the 16 wage settlements with raises ranging between 5.1 and 8.3 percent. None of these were in Milwaukee, but there are many wage increases that were way above the pay increases Government people have received.

We have a chart here on the easel. You probably can't read it, but you have a print of it. You will see that these are the annual rate increases of wage scales and benefits in selected major building trades settlements in 1965.

These are taken from BLS statistics. Philadelphia carpenters got 4.3, Chicago carpenters 5.1, Chicago sheetmetal workers 5.2, eastern Washington and northern Idaho carpenters 5.3, and so on, until you get up to northern California laborers, 7.8 percent. A great many of the laborers who formerly were one of the relatively lower paid groups in most of the metropolitan areas of the country, they are paid more than letter carriers today. It wasn't always thus, but that is the situation now.

Mr. UDALL. Mr. Keating, the Chair notices in your statement there are several of these charts and clippings referred to, and I notice that you have not read them verbatim or each entry therein. The Chair would ask unanimous consent that the clipping and the chart in each case appear in the record in full as part of Mr. Keating's testimony.

Without objection, so ordered.

Mr. KEATING. Thank you, Mr. Chairman.

(The newspaper clipping and table are as follows:)

[From the Milwaukee Journal, Feb. 24, 1966]

UNITED STATES POINTS TO BIG WAGE BOOSTS HERE

The Labor Department, in its campaign for restraint in wage increases, reported Thursday that electricians' wages rose 7.8 percent and plumbers' 5.7 percent in the Milwaukee area last year. The same increases had been reported earlier in cents per hour, but this was the first time that percentages for this area had been pointed out by the Department's Bureau of Labor Statistics.

The Department has irked organized labor, particularly the building trade unions, by urging it to hold wage boosts within the Johnson administration's wage-price formula of 3.2 percent a year.

The administration started its publicity campaign against larger increases in the building trades earlier this year by singling out 16 wage settlements with raises between 5.1 and 8.3 percent. None of those was in Milwaukee.

A spokesman for the Bureau of Labor Statistics said in Chicago Thursday that percentages would be used hereafter in all of the Bureau's quarterly reports on construction wage increases.

The report issued Friday noted that the raises brought Milwaukee electricians to $4.60 an hour and plumbers to $4.62. Building laborers got a 4.5 percent increase to $3.48 an hour, painters 3.9 percent to $4.01, plasterers 3.6 percent to $4.27, carpenters 3.6 percent to $4.26, and bricklayers 2.3 to $4.46.

Many construction unions will negotiate new labor contracts this year. Most agreements in the Milwaukee area expire May 31.

Annual rate of increase in wage scales and benefits in selected major building trades settlements, 1965

Situation	Annual rate of increase (percent)	
	1965 settlements	Previous settlement in same situations
Philadelphia carpenters	4.3	3.8
Chicago carpenters	5.1	3.9
Chicago sheet metal workers	5.2	4.4
Eastern Washington and Northern Idaho carpenters	5.3	4.7
Western Washington building laborers	5.4	4.3
Southern California carpenters	5.4	4.5
Western Washington carpenters	5.4	5.0
Southern California cement masons	5.6	4.7
Southern California operating engineers	5.7	5.1
Chicago laborers	5.7	5.6
Southern California building laborers	5.8	3.4
San Francisco Bay area carpenters	6.8	6.4
Oregon and southwestern Washington carpenters	6.9	4.9
Northern California laborers	7.8	6.3
Oregon laborers	8.0	4.0
Northern California carpenters	8.3	5.4

Mr. KEATING. In a statement submitted to the Joint Economic Committee of the U.S. Congress, Arthur M. Ross, Commissioner, Bureau of Labor Statistics, supplied the following information:

The report discusses numerous measures of compensation and attempts to show how they are related. For contracts negotiated during 1965, wage increases scheduled to go into effect within 12 months from the date of settlement averaged 3.9 percent. But when all wage increases to become effective during the life of each agreement are averaged over the life of the contract, the average is 3.3 percent per year. Our information on fringe adjustments is not good, but they were probably somewhat greater than wage adjustments. We do know that union wage scales in construction rose 4.1 percent between mid-1964 and mid-1965, while increases in total compensation averaged 4.8 percent for that industry.

While union wage increases during 1965 were greater than in previous years, this tendency was even more pronounced in the case of nonunion employment. The southern textile industry, for example, granted three rounds of wage increases in a period of approximately 18 months. We also find that earnings for a selected group of occupations have been rising more rapidly in the less unionized areas than in the more highly organized areas.

We could submit numerous illustrations of recent pay increases that are substantially above those proposed for Federal employees, and substantially above those provided for by the guidelines.

We have reached a point where it is extremely difficult to get employees to work in the post office. There are large sections of the country where recruitment is most difficult. Our salaries are no longer competitive for new employees.

I would like to call your attention to the advertisement circulated in Oakland, Calif., for the job of streetsweeper. The monthly pay for the streetsweeper in the city of Oakland is $490 a month. A letter carrier starting gets $431 a month. So competitively in the California area, as Congressman Wilson, I am sure, well knows, it is almost impossible to recruit postal employees, because the streetsweeper gets $490 a month to start, the post office is expected to hire people for $431 a month.

(The advertisement is as follows:)

THE CITY OF OAKLAND

ANNOUNCES AN OPEN COMPETITIVE EXAMINATION

STREET SWEEPER

SALARY RANGE: **$490** per month

THE POSITION

Employment opportunities for mature, responsible, and dependable men. The work involves heavy manual labor keeping the streets swept. All open positions in this class are in the Street and Engineering Department.

REQUIREMENTS FOR APPLICATION

Education and Experience: Completion of the eighth grade and one year of recent, steady, laboring experience.

APPLICANTS MUST BE RESIDENTS OF ALAMEDA COUNTY.

THE EXAMINATION

The examination will consist of three parts, weighted as follows:

Physical Agility Test	Qualifying
Written Test	50%
Personal Interview	50%

Candidates must earn a score of at least 70 in each phase of the examination to place on the eligible list.

The written test may measure the candidate's knowledge of safety and first aid; ability to follow written and oral instructions; ability to work independently and with others; and ability to maintain good public relations.

The personal interview will be an appraisal of the candidate's background and personal qualifications.

CLOSING DATE FOR FILING APPLICATIONS:

Friday, February 18, 1966, 4:00 p.m.

DATE OF EXAMINATION:

Friday and Saturday, March 11 and 12, 1966
Hours as assigned.

NOTE: YOU MUST APPEAR IN PERSON TO FILE AN APPLICATION, ROOM 100, CITY HALL, OAKLAND.

February 1, 1966(8)—TL

APPLY: City Service Department, Room 100, City Hall, Oakland, California

Mr. KEATING. If we turn to other segments of our economy, you will find much greater prosperity than you do when you are considering wages.

Here we have another chart that shows what has happened to profits. This chart is taken from "Business Week." It has 48 different industries. You will find the change between 1965 and 1964 is in this column. The profits in 1965 are in the first column. You will find some minuses in the change. But there are no minuses in the profits.

In these 48 illustrations 33 out of 48 firms have profit increases over the previous year of more than 10 percent. Seven had increases over 5 percent, three had increases between 1 and 5 percent, and five showed losses for the previous years, but healthy returns nonetheless.

One of them was Dupont that showed a minus of—this isn't a loss, it is a decline of profits from the previous year.

Most of those that showed low profits or losses were in the steel industry. If you will note, National Steel showed a profit of only 3 percent. Most of the steel companies showed an extremely low profit. But profits in most industries were very large.

If you look at Standard Oil, it showed a loss of 1.5, but they had profits of over a billion dollars. They had a billion thirty-five million dollar profit. So in business there has been a great deal of prosperity for the last year.

(The aforementioned charts follow:)

Profits on a steep climb

[Dollars in thousands]

	Profits 1965	Percent change 1965 versus 1964	Profits 4th quarter 1965	Percent change 1965 versus 1964	Profit margins (percent)	
					1964	1965
Air Reduction	$25,655	+37.1	$6,732	+28.4	5.5	6.8
Alcoa	75,586	+24.4	19,462	+19.5	5.9	6.5
Allegheny Ludlum	19,474	+22.8	3,228	−38.0	5.4	5.8
Armco	93,508	+16.3	21,124	−29.5	7.6	7.9
Avon Products	47,500	+19.2	21,785	+27.4	13.3	13.5
Bethlehem Steel	150,028	+1.4	28,605	−33.5	6.6	5.8
Borg-Warner	45,379	+1.9	18,550	+3.9	5.8	5.6
Burroughs	17,528	+71.6	8,924	+71.8	2.6	3.8
Caterpillar	158,000	+22.5	38,600	+10.0	10.6	11.2
Cities Service	104,100	+23.2	27,216	+10.3	-------	-------
Container	27,300	+18.0	7,364	+22.7	5.9	6.7
Douglas Aircraft	14,598	+6.6	3,039	+21.2	2.1	1.9
Du Pont	407,000	−13.6	94,488	−29.0	17.1	13.6
Ex-Cell-O	17,495	+25.4	4,716	+3.7	7.9	8.4
General Dynamics	49,269	+15.6	18,062	+38.6	2.7	3.3
General Motors	2,126,000	+22.5	587,339	+56.7	10.2	10.3
Hooker Chemical	22,962	+19.3	6,275	+18.0	9.1	9.4
Inland Steel	68,377	−3.8	13,933	−36.9	8.0	7.0
IBM	476,902	+10.6	125,840	+9.7	13.3	13.3
Johns-Manville	34,134	+6.5	11,529	+33.7	7.0	7.1
Jones & Laughlin	53,270	−11.3	8,737	−48.3	6.3	5.4
Kennecott Copper	101,895	+54.2	24,533	+5.3	12.2	15.3
Koppers	12,052	+21.1	3,321	+47.5	3.0	3.2
Libbey-Owens-Ford	38,472	+12.7	14,322	+90.6	14.2	13.8
E. Lilly	41,600	+31.2	9,900	−8.3	12.0	13.1
Monsanto	122,972	+7.0	24,818	−11.0	8.5	8.3
National Distillers	31,285	+15.3	9,012	+2.1	3.3	3.8
National Steel	87,497	+3.0	21,271	−14.8	8.8	7.9
Olin Mathieson	50,360	+21.8	13,641	+21.4	5.1	5.7
Peabody Coal	22,500	+5.4	7,947	+4.5	11.3	10.8
Pfizer	53,400	+19.5	14,711	+12.1	9.3	9.8
Philip Morris	26,509	+17.2	7,090	+16.6	3.5	3.8
Rayonier	19,900	+7.3	4,787	+.1	12.0	11.9
Raytheon	11,021	+33.7	2,993	+66.5	1.8	2.3
Republic Steel	77,302	+7.0	13,441	−40.6	5.7	5.6
Reynolds Metals	52,643	+43.7	15,904	+26.7	5.9	7.1
St. Regis	35,866	+12.5	11,049	+11.0	5.2	5.6
Scott Paper	47,256	+11.4	13,970	+11.3	10.0	10.3
Shell Oil	234,000	+18.1	62,134	+14.7	7.0	7.6
Socony	320,000	+8.8	87,600	+12.0	-------	-------
Standard Oil (Indiana)	219,300	+12.5	53,400	+14.8	6.8	7.2
Standard Oil (New Jersey)	1,035,000	−1.5	266,000	+5.6	8.7	8.1
Texaco	636,698	+10.3	172,874	+9.0	-------	-------
Union Carbide	226,917	+20.0	59,942	+5.4	10.1	11.0
United States Steel	275,576	+16.4	49,038	−29.0	5.7	6.2
Westinghouse	106,903	+39.4	29,843	+19.4	3.4	4.5
Xerox	58,648	+47.1	16,014	+39.3	14.2	14.9
Youngstown Sheet & Tube	51,587	−4.0	13,255	−17.0	7.3	6.6

Measure of personal income

[Millions of dollars]

State	1957-59 average	December 1964	November 1965	December 1965	Percent change versus year ago	12 months		Percent change versus year ago
						1964	1965	
Alabama	$366.8	$517.7	$567.7	$558.7	+7.9	$5,958.7	$6,545.5	+9.8
Alaska	44.9	57.7	67.4	62.3	+8.0	779.0	851.4	+9.3
Arizona	184.4	311.9	349.6	345.1	+10.6	3,530.0	3,862.2	+9.4
Arkansas	182.3	275.7	313.8	298.0	+8.1	3,200.0	3,463.0	+8.2
California	3,160.6	4,842.9	5,287.9	5,329.1	+10.0	56,122.3	61,031.7	+8.7
Colorado	296.8	422.7	466.6	463.5	+9.7	5,044.0	5,428.8	+7.6
Connecticut	551.9	786.8	850.0	873.3	+11.0	9,075.8	9,847.4	+8.5
Delaware	103.8	155.2	164.5	161.7	+4.2	1,698.8	1,875.0	+10.4
District of Columbia	177.9	240.3	260.8	265.8	+10.6	2,863.0	3,080.1	+7.6
Florida	711.9	1,137.2	1,183.5	1,227.6	+7.9	12,841.0	13,984.5	+8.9
Georgia	477.4	735.2	824.7	807.6	+9.8	8,344.9	9,256.5	+10.9
Hawaii	98.5	159.6	172.3	187.5	+17.5	1,806.9	2,044.6	+13.2
Idaho	93.7	120.0	143.3	140.8	+17.3	1,398.0	1,592.7	+13.9
Illinois	2,048.2	2,767.6	2,990.3	3,022.9	+9.2	31,895.1	34,608.6	+8.5
Indiana	779.9	1,061.6	1,179.2	1,191.2	+12.2	12,273.3	13,596.5	+10.8
Iowa	438.0	567.2	645.5	650.2	+14.6	6,547.7	7,235.8	+10.5
Kansas	344.1	442.7	474.2	482.6	+9.0	5,218.8	5,561.2	+6.6
Kentucky	364.3	575.5	557.1	624.1	+8.4	5,780.9	6,374.7	+10.3
Louisiana	416.1	585.8	657.1	642.6	+9.7	6,509.8	7,272.8	+11.7
Maine	137.8	183.4	191.5	195.8	+6.8	2,108.9	2,276.9	+8.0
Maryland	559.9	854.7	917.8	932.5	+9.1	9,837.1	10,759.6	+9.4
Massachusetts	983.2	1,367.6	1,449.2	1,486.8	+8.7	15,827.6	17,103.1	+8.1
Michigan	1,414.7	2,027.0	2,200.7	2,205.6	+8.8	22,311.0	25,036.8	+12.2
Minnesota	537.9	725.6	785.3	789.3	+8.8	8,363.9	9,122.8	+9.1
Mississippi	191.3	291.1	348.4	318.0	+9.2	3,328.0	3,619.0	+8.7
Missouri	728.8	990.6	1,055.3	1,088.9	+9.9	11,463.0	12,417.9	+8.3
Montana	109.6	129.5	158.5	146.8	+13.4	1,587.0	1,705.6	+7.5
Nebraska	226.7	300.9	328.3	328.6	+9.2	3,477.0	3,729.0	+7.2
Nevada	58.1	108.8	111.9	116.2	+6.8	1,324.5	1,390.8	+5.0
New Hampshire	93.6	128.0	141.6	142.5	+11.3	1,554.7	1,678.3	+8.0
New Jersey	1,225.2	1,720.1	1,860.9	1,878.7	+9.2	20,077.9	21,707.7	+8.1
New Mexico	129.1	177.0	198.8	185.9	+5.0	2,057.4	2,203.9	+7.1
New York	3,568.0	4,844.2	5,149.5	5,244.2	+8.3	56,649.2	60,637.4	+7.0
North Carolina	527.6	799.2	900.2	891.2	+11.5	9,282.0	10,069.6	+8.5
North Dakota	82.6	107.6	139.9	132.4	+23.0	1,376.0	1,476.5	+7.3
Ohio	1,760.5	2,325.0	2,495.1	2,528.6	+8.8	26,729.0	29,197.2	+9.2
Oklahoma	326.5	439.7	480.3	473.5	+7.7	5,134.3	5,543.4	+8.0
Oregon	300.0	409.0	464.1	467.5	+14.3	4,876.0	5,356.3	+9.9
Pennsylvania	1,996.2	2,551.0	2,708.6	2,735.2	+7.2	29,804.9	32,098.6	+7.7

Measure of personal income—Continued

[Millions of dollars]

State	1957-59 average	December 1964	November 1965	December 1965	Percent change versus year ago	12 months		Percent change versus year ago
						1964	1965	
Rhode Island	$146.2	$195.8	$212.1	$213.7	+9.1	$2,298.1	$2,485.1	+8.1
South Carolina	247.0	371.4	420.8	414.6	+11.6	4,229.0	4,731.8	+11.9
South Dakota	90.1	112.8	123.3	123.0	+9.0	1,343.0	1,385.9	+3.2
Tennessee	422.9	612.1	697.5	671.0	+9.6	7,061.0	7,791.7	+10.3
Texas	1,440.4	1,996.9	2,118.5	2,222.3	+11.3	22,749.0	24,528.8	+7.8
Utah	127.8	183.4	194.7	194.5	+6.1	2,138.6	2,279.9	+6.6
Vermont	54.8	73.9	82.0	86.3	+16.8	867.0	973.1	+12.2
Virginia	557.5	867.7	934.2	931.3	+7.3	9,804.0	10,574.9	+7.9
Washington	505.0	653.5	752.6	753.0	+15.2	7,861.0	8,577.4	+9.1
West Virginia	253.2	298.1	316.2	318.8	+6.9	3,530.2	3,760.1	+6.5
Wisconsin	652.2	899.0	966.0	970.1	+7.9	10,226.0	11,126.8	+8.8
Wyoming	57.2	68.3	75.4	70.3	+2.9	837.0	868.8	+3.8
Nation	30,353.1	42,576.2	46,134.7	46,591.7	+9.4	491,001.3	533,727.7	+8.7

Mr. KEATING. A number of years ago, pay for letter carriers in our larger cities equaled and even exceeded that of policemen. This is no longer true, as the chart you have before you will demonstrate. We are not saying that policemen are overpaid—but we are saying that letter carriers are underpaid.

You have a chart in the testimony we are presenting that shows policemen's salaries in certain cities in 1965. We don't have figures for 1966 because it is early in 1966. Down below you have the salary the letter carriers are presently receiving.

You will notice that the wages of these policemen are much higher. At one time we received either equal amounts or more than they did.

In Los Angeles, for example, the policeman starts at $7,296. He goes to $8,580 in 4 years. Letter carriers start at $5,181. We go to $7,062, but it takes 21 years.

In my own hometown of Minneapolis, policemen start at $6,300 and go to $7,020 in 2 years. But you will see from these charts—and they come from different parts of the country—Bedford, Ohio; Aberdeen, Wash.; Crystal, Minn.; a relatively small suburban community, Royal Oak, Mich.—all of them have salaries that are well in excess of what the letter carriers are receiving.

(The chart on policemen's salaries follows:)

Policemen's salaries in certain cities, 1965, compared to letter carriers, 1966

City	Entrance salary	Top salary	Number of years to reach top grade
Chicago, Ill	$5,688	$6,840	3½
Detroit, Mich	6,115	7,000	4
Los Angeles, Calif	7,296	8,580	4
New York, N.Y	7,032	8,483	3
Baltimore, Md	5,340	6,468	4
Cincinnati, Ohio	5,506	6,428	3
Cleveland, Ohio	5,547	6,600	2
Honolulu, Hawaii	5,592	7,128	6
San Diego, Calif	6,876	8,352	3
San Francisco, Calif	7,980	8,580	4
Seattle, Wash	6,300	7,080	2½
Washington, D.C	6,010	7,610	6
Denver, Colo	5,700	8,256	1-25
Jersey City, N.J	6,233	6,678	2
Long Beach, Calif	6,900	8,508	3½
Minneapolis, Minn	6,300	7,020	4
Newark, N.J	5,778	6,798	5
Oakland, Calif	7,752	8,268	3
Portland, Oreg	5,580	6,972	3
St. Paul, Minn	5,744	6,984	5
San Jose, Calif	7,128	8,664	3½
Alexandria, Va	5,425	6,595	5
Anaheim, Calif	6,516	7,920	3
Berkeley, Calif	5,916	7,920	5
Cambridge, Mass	5,800	6,958	3
Dearborn, Mich	5,980	6,608	2
Elizabeth, N.J	6,250	6,850	3
Flint, Mich	5,720	7,501	20
Fresno, Calif	6,840	8,016	3½
Hammond, Ind	5,590	6,480	1-13
Las Vegas, Nev	6,302	7,592	5
Lincoln, Nebr	5,280	5,820	2
Madison, Wis	5,408	6,552	3½
New Haven, Conn	5,740	6,140	2
Pasadena, Calif	6,588	8,016	3
Sacramento, Calif	6,900	8,280	3½
Santa Ana, Calif	6,760	8,160	4
Tacoma, Wash	5,760	6,900	3½
Warren, Mich	5,787	6,493	3
Bloomington, Minn	5,976	6,924	3
Burbank, Calif	7,140	8,364	3
Cleveland Heights, Ohio	5,700	6,500	2
Clifton, N.J	5,781	6,812	5
Compton, Calif	7,092	8,286	3
Cuyahoga Falls, Ohio	5,556	6,420	5

Policemen's salaries in certain cities, 1965, compared to letter carriers, 1966—Con.

City	Entrance salary	Top salary	Number of years to reach top grade
East Chicago, Ind	$6,300	$6,660	3-13
East Orange, N.J	6,100	6,900	5
Eugene, Oreg	5,640	6,600	2½
Evanston, Ill	5,820	7,080	3½
Everett, Wash	5,652	6,360	4
Kenosha, Wis	5,820	6,780	5
Lincoln Park, Mich	5,665	6,115	1
Malden, Mass	5,540	6,300	5
Medford, Mass	5,599	6,313	4
Mount Vernon, N.Y	6,400	7,400	3
Palo Alto, Calif	6,668	8,352	3½
Parma, Ohio	5,500	6,800	3
Royal Oak, Mich	5,707	6,630	1½
Skokie, Ill	6,060	7,728	4
Somerville, Mass	5,400	6,600	5
West Allis, Wis	6,469	7,062	3-4
Aurora, Colo	5,358	6,546	4½
Birmingham, Mich	5,607	6,525	2
Brooklyn Center, Minn	6,132	7,104	3
Crystal, Minn	5,760	6,960	3
Everett, Mass	5,980	6,600	3
Groton, Conn	5,563	5,938	3
Hackensack, N.J	5,800	6,800	5
Highland Park, Mich	5,917	6,333	1
Janesville, Wis	5,721	6,234	3
Long Beach, N.Y	5,520	7,900	5
Middleton, Ohio	5,408	6,776	5
Minnetonka, Minn	5,550	6,660	3
Mount Prospect, Ill	6,440	7,140	3
Richfield, Minn	6,468	7,068	1
St. Louis Park, Minn	5,928	7,098	4
Scarsdale, N.Y	5,950	6,750	4
Aberdeen, Wash	5,640	5,760	2
Bedford, Ohio	5,532	6,739	6
Brookfield, Wis	5,940	6,660	2
Center Line, Mich	5,667	6,167	2
Cudahy, Wis	6,618	7,020	3
Dedham, Mass	5,713	6,299	5
La Grange, Ill	5,688	6,916	2½

Letter carriers:

Entrance salary	$5,181
Top salary	$7,062
Number of years necessary to reach top grade	21

Mr. KEATING. On a competing level the post office is seeking employees. The post office draws pretty much from the same group of people that the police department draws from, and sometimes people have a choice of going into the post office as a letter carrier or taking a job as a policeman. We used to get our share. We don't get our share any more because our salaries have lagged.

I am going to recognize Vice President Rademacher at this time to make a few comments, human interest comments, and whatever else he has to say.

STATEMENT OF JAMES H. RADEMACHER

Mr. RADEMACHER. Mr. Chairman and members of the committee. I feel sort of like a radio announcer who says "I am interrupting these hearings to bring you the news."

It is very evident, from the reprint appearing on the second portion of our testimony today from the Daily Times at Mamaroneck, N.Y., the citizens themselves are not satisfied with the wages paid police officers and are urging a 15-percent increase in the village of Larchmont. The scale is presently $6,900 for first-class patrolmen.

(The above-mentioned newspaper article follows:)

[From the Daily Times, Mamaroneck, N.Y., Feb. 16, 1966]

For Larchmont Village—Police Salary Hike Urged by Residents

Various segments of the community were represented last night among the supporters of a 15-percent pay hike for Larchmont police.

The police department requested, through recommendations of Lt. Jack Keresey acting for Chief William Keresey, that the village budget include provision for the increase and also that a 25-year retirement plan be adopted for the department.

About a dozen speakers urged the board to adopt these recommendations. The tentative budget is due, March 20.

Also at last night's meeting, two policemen who have just completed their probationary period at the municipal police school were introduced to the board by Lieutenant Keresey. They are Michael Garcia and Reid Hiles.

Lieutenant Keresey explained that under civil service rules, a report that a new man is not performing adequately must be made within 6 months, and if not made, the civil service makes the appointment permanent.

"My thought is," said the mayor, "that in the past we have always met them and this time we would not have if I hadn't asked to."

Trustee John B. Forrest who is liaison for the police department said it was good for the men and for the board to have such a meeting and Lieutenant Keresey agreed.

Also introduced by the lieutenant was Larchmont's newest police sergeant, Henry Krobetzky, whose platoon recently won commendation from the Coast Guard for assistance in rescuing stranded coastguardsmen last weekend.

WANSHEL URGES RAISE

Leading the speeches on police pay was Larchmont Attorney Jerome H. Wanshel who argued in favor of the increase to help attract and keep good men.

He said he believes that the people of the village are willing to pay the necessary taxes, that policemen should be paid at a scale "at which they can afford to live here and raise their families," and that "for whatever it will cost, they should be raised to the top of the scale" in the county.

Larchmont's scale of $6,900 for first-class patrolmen is lower than that paid in 36 Westchester villages, towns and cities, among them Mamaroneck Village and Town.

Mr. Wanshel stated that he has previously suggested a trimunicipal committee in Mamaroneck and Larchmont to work out police pay but apparently this has not been feasible.

CITIZENS AGREE

Similar support for the pay hike was voiced by Myron K. Wilson of 34 Iselin Terrace, Everett Bovard of 21 Woods Way, and Mrs. William McGuire of 1806 Palmer Avenue, who said she was speaking as a mother, and several others.

Gabriel V. Fay, village Democratic chairman, said he could not speak for the committee which had not had a chance to meet, but heartily endorsed the recommendation.

He lauded the caliber of the police who give the residents a feeling "of being personally looked after."

Joseph Fay, speaking as a businessman for more than 20 years in Larchmont, expressed similar sentiments, as did William Buschel, president of the chamber of commerce who said he could not speak for the chamber which had not met but was speaking as a businessman aware of the wonderful work of local police.

PETITION

Patrolman Timothy Courtney presented the board with a petition bearing 45 signatures of residents backing the pay hike, and Patrolman Charles French expressed the hope on behalf of members of the department that the board could find it possible to implement the chief's recommendations.

Lieutenant Keresey added that as an administrator he believes "not just raises but the highest kind of raises" are necessary. He pointed out that in 1946, the county civil service list carried 1,000 candidates for patrolmen and a few days ago the latest list had 40, "and it's a long time since a Larchmonter asked to qualify."

Several organizations and individuals have written the board in support of the increase.

They include the Mamaroneck-Larchmont Jaycees; Charles H. Schmidt, owner of the Larchmont Sport Shop; Robert L. Smith of 120 Beach Avenue, who operates the Kingswood Camp for Boys in New Hampshire; John Hanway II of 34 Helena Avenue, and Joseph Mahler of 4 Margaret Lane.

Mr. RADEMACHER. On the second reprint—at Birmingham, Mich. a police officer has quit because he cannot get along on $6,900 annually. He is forced to leave the service.

The letter carriers in that city, of which there are 60, are averaging $5,800, and the new proposals of the administration after 15 years of service would provide less than the amount of salary being received by this police officer who was forced to quit in that particular city of Birmingham, Mich.

(The newspaper clipping is as follows:)

WHY OFFICER QUIT CITY

Birmingham has lost Jerry V. Roddewig, a man who hated to leave.

He was a policeman here for 8 years and 3 months and he liked his work.

But he quit last Friday.

In a letter to the city of Birmingham, he told why he resigned:

"There are two major reasons for my decision to leave the city, more money and more opportunity. I will try to point out in this letter how both of these reasons affect me and all the other members of the police department.

"I have been with the police department 8 years and am now earning $6,917 annually in the position of staff aid. This is the same amount the patrolmen in the department receive.

"Now let me break down the figure $6,917 into terms you all understand.

"This figure means $217.48 every 2 weeks or $434.96 per month with the exception of 2 months a year when there are three paydays. In terms of where the money goes, here is a sample:

House payment	$96.00
Car payment	77.00
Food	100.00
Life and health insurance	31.00
Car insurance	24.00
Electric	15.00
Heat	15.00
Phone	10.00
Gas, oil, maintenance	20.00
Total	388.00
One month's pay	434.96
One month's expenses	388.00
Amount left	46.96

"Out of the $46.96 comes small things like clothing for my wife, two children and myself, entertainment, gifts, contributions, home maintenance, school expenses, home improvements and others," Roddewig continued.

"This leaves nothing for savings toward major expenses such as college education, vacations, etc.

"I might add that it doesn't provide for medical expenses incurred which are not paid under the city insurance.

"While I am on the subject of insurance, you will note I make payments on health and life insurance. I get $3,000 insurance from the city should I die.

"This would do the job on funeral expenses but what happens to my wife and children?

"I have purchased additional life insurance to at least get my family on an even keel should I pass away.

"I also mentioned health insurance. We found that the birth of our first child that the city insurance covered slightly less than half of the expenses.

"The additional small policy at least helps a little. Thank God we have had no real sickness.

"Part-time work has been the only saving factor in keeping me from very large debts. I estimate I make at least $2,000 part time.

"I should add, however, that since my 'promotion' to the position of staff aid working 8 a.m. to 5 p.m. Monday through Friday (with no increase in pay although the chief has requested it) my part-time income has decreased greatly.

"With the above short explanation of my wages and expenses I must point out some of the factors which have attracted me to industry.

"First of all, I will be making more money as base pay. Next, I will get full paid health insurance which will cover all expenses except office calls.

"I get full paid life insurance in the amount of twice my base pay. I should add that should I die in an accident my wife will receive four times my base pay.

"If I die at work due to accident my family will receive six times my base pay.

"I will be working in the security field and will be paid 5 percent of my base pay for working afternoons and 10 percent for working midnights.

"I also will receive 3 percent for working under a 7-day operation.

"When you include $210 cost of living per year, you find additional money in my pocket.

"Most industry also has a policy for holidays. In my case, nine holidays are provided for and should I work any part of a week in which one of the holidays fall, I receive 1 additional day's pay.

"Should I have to work one of the holidays, I receive an addition one-half day's pay.

"There are other monetary advantages but at least the above are a few.

"The opportunity for advancement within an industrial structure is much greater when one considers sheer numbers alone. The retirement age is falling and many openings are becoming available.

"The expansion of industry also creates additional positions. It took me 7 years to attain the position of staff aid and then, no additional money.

"My calculations show that it will take at least 4 more years to get beyond my present position and should I get a promotion to sergeant, under the present scale, it would mean only about $500 more money.

"When you consider that a sergeant has to supervise at least 4 patrolmen and be responsible for the safety of nearly 30,000 citizens during afternoon and midnight shifts, that isn't much of an increase.

"Then you must figure that a sergeant must spend at least 30 minutes at work more than a patrolman, another problem arises.

"Considering a sergeant makes about $4 per hour and the additional 30 minutes figured at overtime rates, he does not make any more money than a patrolman.

"I could continue for hours but by now, I am sure you have the point.

"I hope that this letter will be of some value in assisting the other members of the police department in their effort for increased wages.

"Respectfully submitted.

JERRY V. RODDEWIG,
Former employee."

Mr. RADEMACHER. At Milwaukee the latest headlines are "Police want raises up to $1,578 a year which would raise them to $9,200 a year."

The very latest issue of the Government Employee Relations Report of the Bureau of National Affairs reports that at Dayton, Ohio, police and firefighters have turned down city proposals for a $5.20 weekly pay increase.

At Detroit the 3,500-member police officers and firemen are asking for increases to $9,000, which are expected to be approved.

In the city of Oakland, Calif., a bulletin arrived today announcing examination for police officer which provides for the first year $663 monthly, and after the third year $707, which is about $2,600 more a year than a letter carrier would receive after 10 years of service.

So much for police officers. But our members were a little concerned yesterday to read newspaper accounts in the city of Richmond, Va., of the administration's proposal for an average 2.85 increase when they turned the page and read that the salaries of Richmond area officeworkers increased 5.4 percent during the past year.

I would like to just briefly mention other things that are happening.

The recruiting situation is so critical that this notice was posted on March 3, last week, at Englewood, Calif.:

All regular carriers will hereafter be scheduled to 6 days weekly.

There is insufficient manpower in that city, and employees are now on a 6-day week. They just can't get people to carry the mail.

In the suburban area of Chicago, Cook County, this notice was posted by all postmasters in a dozen cities, and it states that the situation is critical and they have gone so far as to advertise:

If you have previously received a notice of rating since 1960 showing that you passed a clerk-carrier examination it won't be necessary to take the test over again, simply secure an application from your postmaster.

The situation is critical.

Mr. Chairman and members, as you know from recent reports, a great percentage of our people are working part-time jobs or taking care of the children while their wives are working. Because of the fact of part-time work we have suffered loss of some of our members who have been killed in action on a second job.

Last week in the city of Loraine, Ohio, a letter carrier named Ray Pounds, a father of two children, who only a few years ago purchased a home for $13,900 because that is the only type of home that he could buy with his wage scale, was killed as he attended to his duties in a supermarket during the night hours. This carrier was forced to work 4 nights weekly, depriving his family of his attendance with them. He worked from 6 to 12, 4 nights weekly, for $1.50 an hour. Two burglars arrived at the supermarket during the time when he was working and shot and killed him.

His wage at the time of his death was $6,378, causing the necessity of his part-time employment.

This is just one incident that we can report to you.

Mr. WILSON. Mr. Chairman, I wonder may I, because of a personal matter—I am just a guest of the committee today, but something that is related directly to what Mr. Rademacher has just said—I wonder if I might insert another instance in the record at this time.

Mr. UDALL. Without objection, so ordered.

Mr. WILSON. About 4 years ago Norman Merrill, who is our own personal letter carrier at my home in Los Angeles, was involved in a similar incident. He had a part-time job in a service station. He had four children, was a veteran of some 20 years in the Postal Department, and had to have this service station job in the evening.

He was kidnaped by two burglars and taken out and murdered. His body was found 2 or 3 days after the incident occurred, and this is not an unusual thing.

I think that the number of part-time jobs that these postal employees are required to get is certainly evidence of the need they have for all of the pay increase that we could possibly give to them.

Mr. UDALL. Proceed.

Mr. RADEMACHER. Thank you very much, Congressman Wilson. The letter carriers throughout the country are very much aware of your personal interest, and we are very pleased to have that in the record.

I might say now, Mr. Chairman, back to shortages of help, today I checked with the Detroit office where we have had complaints that men are forced to work overtime constantly, and it gets to a point

where they just cannot endure these long hours, and the postmaster has advised our organization that 2,104 people were called in from the register during the last 6 months—106 reported. Despite the fact that they took and passed a civil service examination, 106 out of 2,104 people called, reported to answer the call for appointment, and I am not aware of how many actually did accept out of that number.

The postmaster also reports that during the first week of March mail volume in Detroit has increased 10 percent, and they are 75 letter carriers short today and 150 clerks, an they cannot find replacement anywhere they go at the salary of a letter carrier or postal clerk.

An article appearing in a Yonkers, N.Y., paper last week headlines:

Post Office Can't Find New Men. The Federal Government is having 'a hard time meeting the competition of the corporate giants, and as a result there are approximately 100 postal jobs available in Westchester and Putnam Counties. Some areas have reached the critical stage. The number of postal examinations has been stepped up to two each month in order to fill the manpower need.

Mr. Chairman, if you and the committee members will please refer now to my statement on uniform allowance for letter carriers on page A of the second portion of President Keating's testimony, it is headed, "Uniform Allowance for Letter Carriers".

On July 29, 1965, this august body passed legislation which among other features would provide $150 uniform allowance for those Federal employees required to wear same. This subcommittee took that action because they were convinced that over the past 10 years since the original Uniform Allowance Act, there have been sufficient increases in prices of the apparel, as well as increases in the number of items for which reimbursement would be made, to warrant additional allowance.

Following the action of the subcommittee on September 30, 1965, the House agreed to the provisions of H.R. 10281 by vote of 370 to 7.

Subsequently on the Senate side, with the so-called guideline pressures, the Senate differed with the House passed bill, and agreed to $125 annual uniform allowance.

The National Association of Letter Carriers is very much aware of the language which is contained in the Uniform Allowance Act which now makes it possible for agency heads to pay an amount up to $125 to those employees who are required by either regulations, or law, to wear a prescribed uniform while on duty.

We are also mindful that the Senate by a vote of 67 to 0, on October 22, 1965, agreed to the $125 allowance: Immediately following the Senate vote, the House of Representatives concurred and there was enacted into law a provision which permits payments up to $125 for uniform allowance.

President Johnson, on October 29, 1965, signed Public Law 89-301 thereby rendering final approval for the increased allowance.

The National Association of Letter Carriers has been in contact with the Post Office Department on several occasions, and we have been advised that the increased allowances will be a matter of negotiations when such bargaining does take place officially between those organizations which have exclusive recognition at the Post Office Department, and postal officials. At the present time, it appears that such negotiations will not begin until perhaps April which will mean that even if there is agreement that the additional $25 will be

paid, the extra allowance would not be payable until at least June or July. Even if there was agreement reached that the additional allowance would be paid no later than July 1, there would still have existed 9 months between the date of enactment of H.R. 10281 and the final authorization for reimbursement of the additional funds.

We are greatly concerned over this injustice especially in view of the fact that all of our members were led to believe that it was the sentiment of the Congress to actually increase their uniform allowance. In discussing cost of this legislation, it was clearly pointed out that the expenditure to comply with the new law would be about $5 million, which is the exact cost of an additional $25 for each postal worker required to wear a complete uniform. The attitude of the Post Office Department in withholding authorization of the additional funds until there are negotiations on the subject, is highly irregular and unconscionable. (I might add that section 17 of the Senate committee's report—Report No. 910—sets out the effective date of the increased uniform allowance as the date of enactment.)

For the record, I would like to submit some of the facts which were presented to the Senate committee during hearings in 1965. I would like to preface my statement on the subject by including in the record information describing the typical annual costs for letter carrier uniforms. This matter, which is attached to this statement, contains figures which have been taken from the fall catalogs of leading uniform companies.

(The information on figures from fall catalogs as to cost of uniforms follows:)

Following are the typical costs of attaining uniform apparel under the uniform allowance in accordance with official instructions which permit reimbursement for certain designated items.

Typical annual costs for letter carrier uniforms

(The costs are exact prices quoted from fall catalogs of leading uniform companies)

NORTHERN AREAS

Item	1st year cost [1]	2d year cost	3d year cost
Coat (winter)	$59.95		$59.95
Jacket (spring and fall)	23.50	$23.50	23.50
Trousers (4 pairs)	66.00	66.00	66.00
Cap (2)	9.50	9.50	9.50
Raincoat	21.50		21.50
Uniform shirts (6 summer, 6 winter)	56.70	38.50	38.50
Tie	1.25	1.25	1.25
Shoes (2 pairs)	29.90	29.90	29.90
Sweater	12.95		12.95
Belt	2.25	2.25	2.25
Rain leggings	6.95		
Cap cover, cape	5.50		
Galoshes	7.95		7.95
Rubbers	4.95		4.95
Gloves	6.50	6.50	6.50
Total	315.35	177.40	284.70

SOUTHERN AREAS

Jacket	$23.50	$23.50	$23.50
Trousers (4 pairs)	66.00	33.00	33.00
Cap	4.75	4.75	4.75
Raincoat	21.50		
Uniform shirts (12)	56.70	56.70	56.70
Tie	1.25	1.25	1.25
Shoes (2 pairs)	29.90	29.90	29.90
Sweater	12.95	12.95	12.95
Belt	2.25	2.25	2.25
Rain leggings	6.95		
Cap cover, cape	5.50		
Rubbers	4.95		4.95
Total	236.20	164.30	169.25

[1] All prices quoted from most current sales catalogs of leading uniform manufacturers.

Mr. RADEMACHER. Until enactment of Public Law 763, which was approved September 1, 1954, letter carriers and other employees required to wear uniforms often found it necessary to go into debt to purchase regulation items. The National Association of Letter Carriers strongly supported enactment of Public Law 763 for a number of reasons, especially for the fact that letter carriers take pride in presenting a good appearance to the public. Since the letter carrier is the only representative of the U.S. Government who comes in direct contact with the taxpayer, it is imperative he dress the part of the ambassador.

When instructions were first issued in the official Postal Bulletin of June 9, 1955, there were 13 total items for which letter carriers could be reimbursed. These items included: coat, jacket, trousers, helmet, cap, raincoat, raincap cover, uniform shirt, tie, shoes, sweater vest, and belt.

Because of the subsequent experience with the uniform allowance, and the apparent need for revision of the regulations, a National Postal Uniform Committee was approved and this group had frequent meetings with Post Office Department officials. From the period June 9, 1955, through December 29, 1964, the allowable items for which reimbursement could be made was exactly doubled. Where there were 13 original items allowed, today there are 26 various items for which the cost is reimbursable. The additional 13 items which

were not included in the original regulations are: fur coat, fur cap, mesh cap, parkas, galoshes, rubbers, gloves, short raincoat, rainpants, rain leggings, removable cape, skirt (for females), cap (for females).

In addition to the increase in the number of reimbursable items, through the past 10 years there have been city and State sales taxes which have taken from $3 to $5 from the $100 allowance, and the normal increases in cost of uniform items has caused demands for a higher allowance.

Some examples of the prices on uniform items which have increased are shown below. This information has been taken from advertisements which appeared first in the September 1954 Postal Record, and secondly, in the March 1966 issue of that publication:

Item	1954 price	1965 price	Percent of increase
Sweater	$7.95	$12.95	63
Overcoat	46.50	59.95	34
Caps (serge)	3.00	4.75	60
Shirts (long sleeve)	3.50	4.95	40
Shoes	7.95	12.98–19.98	63–120

Also, it must be remembered that letter carriers must purchase from their own pockets umbrellas, hip boots, and socks. The cost of these items is not reimbursable.

Mr. Chairman, we have proved it is quite evident that the subjects listed above have contributed greatly to the urgency of an increase in the uniform allowance now; that is, cost of articles having increased over the past 10 years, the increase in the number of reimbursable items, and the various sales taxes that have wiped out from 3 to 5 percent of the allowance. It is also evident that the intent of Congress was to see to it that the uniform allowance was increased, and overwhelming votes proved that intention. We strongly urged that the committee reiterate in some manner the intent of the law and urged that the additional allowances be appropriated immediately. We feel that the entire matter has been negotiated with the Congress, and that any further negotiations are unnecessary and time consuming, and can only cause serious and unwarranted delays in approval of the additional allowance which Congress has already agreed to.

STATEMENT OF JEROME J. KEATING—Continued

Mr. KEATING. We are going to get back to the discussion of comparability which was the base of the 1962 law. Comparability means comparability with pay in private industry, but I think in a balanced economy it ought to mean something more than that.

Trends, which is a publication put out and circulated by various commercial banks in the Nation carried this interesting story on March 1 relative to the dynamic economic progress that we have made:

The fifth anniversary of the business expansion has just passed—with no indication of a slowdown in sight.

"The big boom of the 1960's," or whatever name is given the recordbreaking upturn, is certain to receive special attention from students of economics for some time to come.

Passing the 60-month mark the end of February, the current expansion is already twice as long as the average length of business expansion in every cycle since

1954. The 30-month average, moreover, includes several wartime periods when the economy was pushed at artificially high speed through necessity.

"Then" and "now" comparisons tell the dramatic story.

Personal income in the United States was $405 billion in February 1961; today it is $550 billion, a gain of 35 percent.

Industrial output, as represented by the Federal Reserve Board index, was 103 in 1961; today it is 148, an increase of 43 percent.

Retail sales have risen 33 percent, from a level of $18 billion annually in 1961 to $24 billion today.

Overall construction is up 28 percent in the 5-year span, from a yearly total of $54 to $69 billion in 1966.

Impact on the American people is equally dramatic.

Despite a steady increase in population (7 percent during the 5-year period), the number of unemployed has dropped from around 5 million in 1961 to 3 million today.

The unemployment rate today among married men, the Nation's main breadwinners, is 1.8 percent—as compared with 4.6 percent in 1961.

Business profits have showed considerable growth in the upturn. The total of all corporate profits after taxes is now at the level of $45 billion a year—against $27 billion in 1961.

U.S. corporations paid a record $19.5 billion in cash dividends last year, up more than 10 percent over 1964, $17.7 billion.

Recent concern over rising prices tends to obscure the fact that the actual buying power of most consumers has gained sharply. Consumer prices now are 7 percent greater than they were 5 years ago, and wholesale prices are up 3 per cent. But the average weekly wage of factor, for example, is 24 percent greater than it was in 1961.

That is the end of the quote from Trends.

While wages of factory workers increased 24 percent in 5 years, salaries of letter carriers increased only 16.7 percent. Where is our comparability?

Ample figures have been presented here to establish the fact that most segments of our American economy have prospered. One more illustration that is all-inclusive is in the area of personal income. The average increase in personal income in 1965 was 8.5 percent. The highest in any one State was 13.9 percent; the lowest was 3.2 percent. This was in the State of South Dakota. Amazingly, this is the gain in compensation to which Federal employees are to be held—the South Dakota standard.

The Monthly Labor Review for July 1965 carried an article written by Mary Conyngton in 1920. Anyone reading it could readily believe it was written today. The following are excerpts from this article:

* * * It will hardly be said that the Government's demands, in those bureaus and divisions existing before the war, have altered materially within the past 5 years, and that its employees deserve relatively a much lower salary today than they received in 1915. Yet the purchasing power of their salaries has fallen materially since 1915 * * *.

Here, again, there is clear evidence of the lack of any policy underlying the changes. Evidently the increases have not been planned to compensate for the increasing price of food, for in only two cases is the percentage increase in salary even half as great as that in food prices. And they cannot have been proportioned to the value of the services rendered * * *. The only conclusion that can be drawn * * * is that the Government raises salaries only when it is forced to do so in order to keep its employees, and then only so far as will enable it to withstand outside competition. When there is no such competition * * * salaries tend to remain stationary, or are advanced slowly and uncertainly * * *.

Surveying the whole situation, it does not seem too much to say that the Government's only policy in regard to wages has been to have no policy * * *.

An "editor's note" makes a weak defense of present policies by stating:

There is now a Government body making yearly recommendations to the President on wage policy, on the basis of the BLS annual survey of pay of pro-

fessional, administrative, technical, and clerical personnel in both industry and Government. True, recommendations are not based on changes in prices, or related to changes in job duties as proposed in this article (June 1920). Rather, they are geared to the need to meet industry salary levels if the Government is to build and hold a trained professional and clerical staff.

In an article titled, "Poverty: The Word and the Reality," published in the Monthly Labor Review of July 1965, we find the following:

* * * The estimated October 1962 cost of a modest budget for an employed man, housewife, and two children in New York City, published by the Community Council of Greater New York, was about $5,500 for goods and services, and almost $6,500 including insurance and personal taxes * * *.

Our letter carriers in New York City do not attain this amount of pay until they have served their Government for 12 years. I should point out that this standard that I quoted was a standard for October 1962, not for 1966. Today, of course, it is much higher.

What is wrong with our comparability? There are many things wrong with our comparability. In fact, we feel it is practically no comparability.

At the outset, existing inequities were completely ignored, and we started out as if it were an economic world just created. The injustices of prior years were not taken into consideration when the comparability program was put in operation. Its concepts were too limited.

It is subjected to and restricted by budgetary considerations.

Its statistical concepts are subject to arbitrary, crippling changes.

Now I want to point out, and I don't know whether the members of this committee have received this or not, but the sole bible of our comparability pay schedule is found in this little bluish-green book, "The National Survey of Professional, Administrative, Technical, and Clerical Pay." Now where we fit into this book, I don't know, but this is the sole bible on which comparability is based.

I might also point out that last year the comparison of pay was made with pay in metropolitan areas. This year they also included nonmetropolitan areas, which means that there was a lower pay salary because of the fact that these nonmetropolitan areas were included.

We objected to the inclusion of the nonmetropolitan areas. They said it only amounted to 8 percent. But even if you dilute by only 8 percent that is quite a substantial dilution.

The report that was sent by the Bureau of the Budget to the President on the recommendation of pay, the joint annual report on Federal statutory salary systems, which I think you men should have, makes the following comment:

Extension of the survey to nonmetropolitan areas was in accord with the recommendation of the Surveys & Research Corp. after their review 2 years ago of the survey used for Federal comparability purposes. Also in accord with that corporation's recommendation is the extension of the current 1966 BLS survey to establishments of smaller size.

So we are going to have a little more dilution this year. The 1965 was diluted; 1966 is going to be diluted still more, and at whose recommendation? Is it on the recommendation of the Congress? No; it is on the recommendation of a business professional organization that conducts the survey.

The comparability has moved down. It is no longer a Government comparability—if it ever was. It is comparative data not confined to good or even adequate comparisons, but includes the poorly paid employees—an unworthy objective, if the Federal salary scales are to be what should be expected.

I don't think that the Federal Government, who should be an example for all employers, should go and take the salary of people that are paid substandard wages into consideration in developing a salary schedule that is adequate for Federal employees. I think we are entitled to better pay than that, and this comparability is no comparability at all, in my opinion.

The comparisons used in many instances are unreal, and I want to point out the comparison that is made between letter carriers is tied in with office clerical employees. What they have to do with clerical employees God only knows. We have objected to that since this program first went into operation. We are tied in with GS–5.

And in the report to the President of the salary committee we also find this paragraph:

> Although the survey has produced excellent data on several professional, administrative, and technical jobs in the private enterprise equivalent of GS–5, the data has not been used this year nor in past years in comparability computations. Determination of use of the data is based upon the fact that more than 70 percent of GS–5 employees are engaged in clerical work, yet no data has been available to date on private enterprise rates for clerical work at this level. Until such data are available it does not seem possible to accept the findings of GS–5 as being sufficiently representative to private rates at the work level.
>
> Repeated prior attempts to survey pay for GS–5 clerical jobs have failed, but successful surveys on the newly added jobs should satisfy the criterion of representatives and permit use of this data in computing Federal comparable salaries.

Now that is what we are opposed to. There is no basis for the GS–5, and they compare letter carriers with clerks who are determined on a basis of a comparability that has no data. There is no comparability in the Government plan. Salaries perpetually lag, and there is no possibility of ever catching up.

I must confess at the outset we had some hopes for a comparability program. Several of the above criticisms have always been evident, but we had hopes that the weaknesses would be eliminated rather than expanded. This has not happened.

The chart, "National Comparison," illustrates what has happened in the pay schedule. It shows the pay of letter carriers as they have progressed in comparison with people in three other industries. I might add that the figure in 1965 is $2.98, the figure here is $3.44. Now as we have gone along, in 1949 we received more hourly pay than any of these three groups, but their salaries have increased and have increased rapidly, while the pay of the letter carriers has proceeded rather slowly.

(The chart follows:)

National comparison

	Pay of step 7 letter carrier	Petroleum refining and related industries	Blast furnace and basic steel products	Motor vehicles and related workers
1949	$1.815	$1.80	$1.66	$1.70
1950	(1)	1.84	1.70	1.78
1951	2.015	1.99	1.90	1.91
1952	(1)	2.10	2.00	2.05
1953	(1)	2.22	2.18	2.14
1954	(1)	2.29	2.22	2.20
1955	2.19	2.37	2.39	2.29
1956	(1)	2.54	2.54	2.35
1957	(1)	2.66	2.70	2.46
1958	2.34	2.73	2.88	2.55
1959	(1)	2.88	3.08	2.77
1960	2.55	2.91	3.05	2.83
1961	(1)	3.03	3.25	3.00
1962	2.74	3.06	3.24	3.11
1963	(1)	3.24	3.31	3.22
1964	2.78 2.88	3.25	3.30	3.32
1965	2.98	3.26	3.41	3.44

[1] No increase.

Mr. KEATING. I was rather interested in reading Assistant Postmaster General Murphy's testimony where he related the progress that we have made in the last 4 years salarywise. Now it is true that we did advance some the last 4 years, but it is also true that we lost out in the period when others were advancing.

In this period here the average increase in private industry was 5.3 percent a year. We averaged 1.37 percent a year for 5 solid years. But the next period shows 4.6, these people had a 4-percent increase, while we had a 3.2-percent increase. These people went over 4 percent and these people went over 5 percent. We have not kept pace with these increases.

Now in the 1960's it is rather odd the rate of increases in private industry have not been as fast as they were back in this period. But in this period when we had high acceleration of pay you saw what was happening to us—1, 2, 3, 4, 5, 6, 7 years. We had 5 years that there were no pay increases. And our pay was substandard when we went into this so-called comparability and there has been nothing to raise it to any decent standard since. It has been going downward ever since. We have had the 7 lean years, but we haven't had the 7 years of plenty, neither before nor after.

Under the present program negotiations no longer exist in a real sense. An infallible, indestructive comparability figure is presented to the Congress. It is held out to be—we are told it is a sacred figure. There is no dispute.

There is an aura woven around the word "comparability," however it is computed. The concept is regarded as infallible. With present procedures employee organizations have lost, to a great extent, the right to negotiate. Negotiations of pay within the Federal establishment is a triparti affair—the Congress, the administration, and the employees. That is what it should be.

Under the present program, negotiation no longer exists in a real sense. An infallible, indestructible comparability figure is presented to the Congress. Many vital economic considerations are ignored.

The annual review is excellent. The requirements for Presidental recommendations are good. Congress, however, should rewrite the

rules governing the complete operation. Actually it is not a study of comparability. In our opinion, it is a study of futility.

We propose that this committee, or this committee together with the Senate committee, conduct hearings on the subject of a proper pay program that does not obscure or eliminate so many vital economic factors from consideration. We propose that all pay increases be considered, and studies not be limited to a confined, limited group.

Perhaps the present program has resulted in some progress, but it has fallen far short of a vital, judicious, adequate program. Its concepts are too simple and too rigid to provide pay adjustments for postal and Federal employees.

Mr. UDALL. Thank you, Mr. Keating. I commend you and your very fine staff on your presentation. As in the past, you conducted research and presented facts and comparisons which have been most helpful to the committee. I know of no organization better prepared and of more assistance to our committee than yours. Your presentation today is certainly up to the high standards in the past.

The postal workers have had a very long history of patience, loyalty, and dedication to our country, and I certainly commend you for the restraint you have shown over the years, because I believe that you have some grievances.

I listened attentively to the testimony presented today, and I am in agreement with most, if not all, of what you had to say.

Last year, I was of the opinion that we would be in a position this year to make some real advances in the pay of postal employees.

However, everything we are doing in the Congress this year seems to be overshadowed by developments in Vietnam, and it is obvious to me that true comparability, or any kind of comparability, has gone to war.

I noticed, as I am sure you noticed, that the President's budget provided only $350 million as a contingency fund this year. Last year, it was $400 million. It is obvious to all of us we are going to have to supply more men and more dollars to the war effort. We are in a critical situation and, with the kind of loyalty and patriotism we have in the postal service, I know it is of the greatest concern to your organization, as it is to the President, myself, and the members of this committee.

We have made a remarkable progress in this country in the last 5 years—economic growth, continued unprecedented economic growth. Profits have risen, as you pointed out; personal income is up. The difficulty is that these figures are of little comfort when you are part of the group that isn't sharing fully in that growth, in the increase in personal income, the increase in hourly wages. This is a problem for all of us.

I share the President's concern that we have to hold price stability. Otherwise, everyone in this country will lose, by and large. For you people, it is a particularly painful dilemma. If large wage increases continue in your field and other fields, this contributes to inflation. If you don't get the pay increases, you are penalized, you are taxed by the increased inflation.

The President has done what he could in a very difficult situation. He has asked both labor and private industry to comply with these guidelines. Some have complied and some haven't. I have been advised that your organization, together with other organizations, had

conferences with some of the top advisers of the President. As a result of these conferences, the package which the President's people have presented here was developed.

My first question is a difficult one. I agree with most of the arguments you made—that you don't have comparability, that in the last 16 years while other groups of workers which you were once equal to have forged ahead and you have forged ahead at a much slower pace—but the question I ask is are you, on behalf of your organization, satisfied to accept the package proposal this year, with all the misgivings and all the arguments and all the unhappiness that you have expressed here, with which in large part I agree. Are you willing to accept this, with the hope that next year, if this dangerous military situation has improved, we will do something of a substantial nature, make some big strides toward adjusting Federal pay in keeping with that of outside industry and in keeping with facts and figures that you have outlined here so fully today?

Mr. KEATING. Mr. Chairman, it is indeed a difficult question.

You recall that last year the House passed a more generous pay bill than the bill that was finally enacted into law. We thought that was fully justified, and even a little bit more was justified; that we had fully expected that this year an adequate pay bill would be enacted by the Congress.

However, the escalation of the war in Vietnam has altered this situation substantially, and if the members of our organization were asked individually what is the greatest need of the Nation today I am sure all would reply that a speedy, honorable settlement of the war in Vietnam is the paramount problem.

Most of our members have served their country in the military service in past wars. Many of them are serving today. Many others have children now out on the battlefront.

We thought we would get a larger and more adequate pay raise this year. The Vietnam war and the rigid restrictions that have been discussed here, which we may or may not agree—and you can draw your own conclusion from what we have said—including the guidelines. So this hope apparently will not be realized.

Our members are patriotic. They are more concerned with the success of the war than they are with anything else. Under this crisis that is now confronting us we feel that we are not—you asked if we are satisfied—we are not satisfied. We realize what the legislative situation is. Perhaps the best thing is to pass this package and at as early a date as possible get to consideration of a proper pay raise.

We have had several meetings with those who represent the administration. From the standpoint of the administration this is the best package that they will agree to.

We think, however, that there are two changes that are most necessary in the proposal that was sent up here. First, we object strenuously to the effective date of January 1, 1967. We think it should be effective on the 1st of March 1966.

Second, we believe that with an increase as minute as 2.84 across the board—rather than a graduated amount—it should be paid across the board. Those receiving larger salaries get more dollars out of a percentage than those getting small salaries. The amount of dollars received is very small indeed on that type of a percentage.

We sincerely hope that this committee will give favorable thought to the proposals that we have presented relative to developing a more adequate and just way of adjusting Government salaries. We hope that this will be given immediate consideration and study, and that the committee will activate itself in that direction in the very near future. We see no hope in comparability.

Mr. UDALL. Thank you, Mr. Keating. Let me say that I applaud your restraint and spirit and I applaud the patriotism of your organization which has so many people who have served in war. Let me say that if this package is enacted, there will be no workers in this country who have made a greater sacrifice, who have gone further to meet the so-called guidelines to prevent inflation as the postal workers in this country. It is ironic that they have to make the sacrifice when they are the people who have lagged furtherest behind anyway, as your chart points out. It would have been far better, in my judgment, for stockholders and employees in other areas to have made greater sacrifices than to place the burden of this kind on you.

Let me say publicly, and to you personally and your organization, that the attitude you have developed will not go unnoticed by this Member of Congress, and it will be matched by my determination to do something about the things you have indicated. I believe we must move to strengthen this machinery of determining pay adjustments. It must be one that works quickly and fairly, one in which employees fully participate and are given a right to be heard.

I am greatly distressed with the figures you have cited which show that policemen and streetsweepers and others are, in larger cities particularly, making far greater pay than letter carriers and clerks.

Secondly, I have come to doubt, in the light of the figures you have indicated here about policemen and streetsweepers, and others, whether this whole concept of linkage is false, whether we must undertake some very basic reconsideration of the levels assigned to clerks and carriers, and the procedure for fixing linkage or standards for their pay.

The gentleman from Montana.

Mr. OLSEN. Thank you, Mr. Chairman.

I want to join my chairman in complimenting Mr. Keating, Mr. Rademacher, and your splendid staff on a most excellent statement.

Let me say that it doesn't look like Government employees do very well even in peace years. I was looking at your chart here for 1949 through 1965. Seems to me the war in Korea ended in 1953, but you have done very poorly in all the years.

As a matter of fact, after your bill was sabotaged in the Senate last year, you were given many promises. I was there when you were given promises about what we would do this year, and here we are, doing more poorly than we ever dreamed we would.

I would like to refer to page 3 of your statement where you quote from the AFL–CIO executive council statement. I think that the last two paragraphs are a very proper and excellent statement of position for you folks, because if labor costs don't move any faster than the gains in productivity it would seem to me that labor costs cannot be blamed for any kind of inflation. Isn't that right?

Mr. KEATING. There is a quotation from Business Outlook, that according to the Department of Commerce and the Federal Reserve,

labor cost per unit of output has dropped slightly since last fall, and today is about as low as any time in the past 6 years.

Mr. OLSEN. And that is because productivity has been increasing faster than labor cost?

Mr. KEATING. That's right. That is a February 5, 1966 report.

Mr. OLSEN. How about the letter carriers and productivity? What has been their record?

Mr. KEATING. The productivity of the letter carriers has substantially increased. They are working harder and doing more work than ever before.

Mr. OLSEN. And substantially greater than the cost of letter carriers.

Mr. KEATING. Substantially greater.

Mr. OLSEN. Then certainly your labor costs, as those of others, should not be credited with any contribution to inflation, should they?

Mr. KEATING. No, sir.

Mr. OLSEN. I am joining you in your hope for a study by the Senate and the House. I am willing to go along with this rate increase now, but I would like, at the appropriate time, to try to exact an agreement that we begin a study right now, this year. This business of next year never comes. We could have an agreement right now that we would start hearings on this study, and it could be part of the package of this bill.

It seems to me that the situation of the letter carriers and of the postal workers and Federal employees in general is getting worse, and has gotten worse ever since we passed the comparability clause in the 1961 act.

For the record, I wanted to say that early this year a spokesman for the administration said that the administration wasn't about to send up a recommendation for a pay increase unless that was going to be it. They didn't want the recommendation to be the starting point. They didn't want to be the bad guys and the Congress the good guys.

I am sorry I was not able to be here when the administration spokesman was here, but it seems to me that the administration's attitude is the best argument for why the fixing of wages better stay in the Congress. I think you would be much worse off if we delegated the authority for fixing wages to some executive body.

Mr. Chairman, I don't have anything further except to say this is a very disappointing bill, it is a more disappointing situation than last year, because I have no hope that these people are going to get treated any better next year or the year after than they are being treated this year.

Thank you.

Mr. UDALL. The gentleman from Louisiana.

Mr. MORRISON. First of all, I want to commend Mr. Keating and his associates, who have the responsibility of representing a great organization—the National Association of Letter Carriers.

I have been in the Congress for a little more than 23 years now, and ever since the House Committee on Post Office and Civil Service was created by the Reorganization Act of 1946 I have been a member of that committee. Prior to that time, I was a member of the Committee on Civil Service—before it was combined with the former Committee on Post Office and Post Roads to form the new committee.

The record shows that I have been in the center of every fight for needed adjustments in salaries of postal and other Federal employees that we have had.

I want to particularly commend the National Association of Letter Carriers for the position this great organization, and its leaders, have always taken in support of justified salary increases.

Your organization has had very responsible, effective, and dedicated leadership over the years, as it has now. You have always come forward with valuable testimony and information and worked most diligently to see that your membership obtained fair and equitable salary adjustments and fringe benefits—adjustments to which they were certainly entitled over the years.

I have never seen any pay raise legislation that was easy to have enacted. I have never seen any pay raise proposal that did not require a long, hard, fight. Most of them have finally been worked out by compromise just before adjournment of the Congress. There has always been a last minute question whether pay measures would be passed or would fail.

But on all occasions this organization has shown a degree of reasonableness and willingness to reach agreements that are definitely in the interests of the postal service and the public, while at the same time being fair to the employees concerned. Your organization has always been blessed with truly remarkable leadership, not only in Washington but in your locals and branches throughout the country. This spirit of cooperation and good, sound commonsense in the long run has helped your cause tremendously.

And so I want to emphasize that your approach has been most valuable and helpful. Your leaders are extremely able and have contributed immeasurably to the work of this committee and the Congress through their careful research, always excellent preparation, and scholarly presentations of facts and evidence that we need.

I think that the position that you have taken today, Mr. Keating and gentlemen, is in the highest tradition of your organization and the great labor movement of which you are so important a part. I am confident that all of the members share with me a very real appreciation of the difficult—indeed, the soul searching—you have experienced in taking this patriotic stand. I heartily concur in your decision that all of the other issues are overridden by one paramount national concern, and that is the cause of our country and the struggle against communism, both in in Vietnam and here on the homefront. As you have so well expressed it, no one has a monopoly on patriotism and certainly you and your membership are as patriotic as any group or individual I have ever known. Members of your organization have sons fighting this very minute in Vietnam. They have always conducted themselves, in war and in peace, individually and as an organization, so as to command the respect and admiration of all Americans.

I believe deeply that for you, as an organization, to take the unselfish position you do in support of our President shows a fine sense of understanding of the situation America now faces—where we are at the turning point of success or failure in stopping expansion of international communism. The lives and welfare of hundreds of thousands of our young countrymen, who desperately need our material and moral support on the battlefield, are in the balance. Their trials and their suffering far outweigh any homefront problems of taxes or

shortages or self-denial. Your agreement to support the President's guideposts, because of the Vietnam war and other heavy obligations of the Government, deserves the highest commendation.

I know that your decision was far from easy. Of all of your considerations in reaching it, I am sure that the greatest motivation is your loyalty to your country and your patriotism. By taking your position in support of this legislation, we know that you are joining us in full measure in our hopes and prayers that hostilities in Vietnam are brought to a successful conclusion for the free world at the earliest possible time. When that has been done, you will be able to proceed—and should proceed, as other members of this committee have so eloquently stated—with measures to achieve richly deserved salary increases in accordance with the comparability principle enacted in the 1962 Pay Act.

I do not know of any organization or group that has ever risen to an occasion of national emergency and met the test of loyalty in so timely and effective a manner as you have done. You have my greatest admiration in this, which is certainly one of your finest hours.

Mr. UDALL. I thank the gentleman from Louisiana.

The gentleman from Nebraska, Mr. Cunningham.

Mr. CUNNINGHAM. May I pass for the time being? I am sorry, I had to go to a meeting of the Commerce Committee.

Mr. UDALL. The gentleman from Kansas.

Mr. ELLSWORTH. Thank you very much, Mr. Chairman.

I, too, want to compliment the witnesses this morning, their officers and their staff. Jerry Keating and Jimmy Rademacher are well known in this town and throughout the Nation as intelligent, courageous and responsible leaders of men and women in their organization. They are popular, well liked, and certainly the presentation, Mr. Keating and Mr. Rademacher, that you have made this morning adds luster to your representation, both of you.

I can assure you from the standpoint of the power of the analysis that you made in your formal presentation as well as from the standpoint of the high responsibility that you displayed in answering Chairman Udall's question when he asked the question, I certainly join with you and with others in urging, Mr. Chairman, that at the earliest possible moment we undertake, either by ourselves or with the Senate committee, a complete review and down-to-bedrock study of the entire procedure and concept, as it has operated since 1962 of comparability; and I want you to know that I will be one that is urging and pressing and working for that from this side of the aisle along with your fine leadership and the members of this committee from the other side of the aisle.

It is always a pleasure to have Mr. Keating and Mr. Rademacher with us at this committee, talking about comparability, talking about the problems of their members; and I again want to compliment both of you for the power of your presentation and for the high responsibility that you exhibited in your answer to Chairman Udall's question.

Mr. UDALL. The gentleman from New Jersey, Mr. Daniels.

Mr. DANIELS. Thank you, Mr. Chairman.

I would like to say at the outset that my failure to be present earlier this morning was not due to a lack of interest in your presen-

tation and the presentation of your colleagues and the members of your staff. It was due to the fact that I had to attend a very important meeting of the Postal Operations Subcommittee of this full committee.

I do wish to join with my colleagues in congratulating you on the leadership role that you are playing, and have played in the past, in these wage increase fights. I know that your dedication, your courageous role, and your capable and able and intelligent presentation of facts to this committee has resulted in a much better economic life for the workers that you represent, not only of your union, but the entire working force in this country.

Your representation, as the other member of this committee has stated, is well known, and I want to commend you, Mr. Rademacher, and all associated with you for this role.

As you know, Mr. Keating, the administration sent this package up to the Hill the other day, and within an hour and ten minutes this committee started work on this bill. It not only involves consideration of wage increase, but also other fringe benefits in which I am sure that you are likewise interested.

One of the proposals recommended was optional retirement of an employee after 30 years of service at the age of 55. In addition thereto, the administration desires to reserve the optional retirement feature for those in level 13 and higher. Do you care to comment on that reservation of the Government?

Mr. KEATING. The optional feature will not be exercisable in our level, it applies to those in the higher levels. As a general proposition this organization has always been opposed to the double option, we think it should be exercised entirely by the employee. That has been our position on the question of optional retirement.

Mr. DANIELS. Do you care to make a comment on the bill that I introduced with respect to increasing life insurance on Federal employees to 150 percent of their salary to the next higher thousand dollar level, wherein it is provided that on the reduction of coverage after retirement that the policy be reduced at the rate of 1 percent a month instead of 2 percent a month, and to a level of 50 percent of the principal salary instead of 25 percent?

Mr. KEATING. That is an excellent bill. First, the increase to 150 percent is the most costly, but we are for both phases.

We think probably the most important part of it is that that has to do with the reduction of the face value of the insurance policy by changing the rate of reduction from 2 to 1 percent. We think that that is an excellent piece of legislation, and we do hope, guidelines or no guidelines, that it will be adopted by this Congress.

Mr. RADEMACHER. Mr. Chairman, on the subject, please, in response to the Congressman's question, I know that Congressman Daniels, who is the very able chairman of the Subcommittee on Retirement and Insurance, is greatly disappointed, as most organizations are, in the fact that his bill, or any reference to it, was omitted.

Now I am sure that Congressman Daniels recalls that the spokesman for the Civil Service Commission appeared and urged that you take no action until the publication of the Retirement Committee's report, and then you read with keen disappointment that there is no reference whatsoever to it.

I think it would have been more than fair at that time to make such an announcement rather than to let us read about it later and get the hopes up, of you and your committee, and we and our organization. We are still solidly behind that proposal of you and your committee, and we hope that it can be enacted.

Mr. DANIELS. Well, Mr. Rademacher, inasmuch as you are familiar with the recommendations made by the administration as well as the President's message to Congress relative to this legislation, do you think there is room here in the guidelines laid down by the Government for inclusion of life insurance coverage in this bill?

Mr. RADEMACHER. Mr. Daniels, I would think that would be a matter of determination by the administration. We certainly urge, though since we testified in support of that bill, that every effort be made to secure their blessing on that legislation. A lot of people, including retirees, who would like to see it retroactive, are keenly interested in that bill, and perhaps it was overlooked by the President's Committee when they made the recommendation.

Mr. DANIELS. Thank you, Mr. Rademacher.

Mr. KEATING. It seems to me that the life insurance should not be a part of the guidelines. When the President's Committee set down their guidelines they did not include social security. Retirement should not be a part of guidelines, and I don't think life insurance should either. What their opinion is would be something else again.

Mr. DANIELS. Do you feel, Mr. Keating, that retirement legislation ought to be considered separately by my subcommittee and be part of a separate bill, separate from the pay bill?

Mr. KEATING. Well, if the result is the same I don't think the vehicle makes too much difference, and I think that it should be considered by your committee certainly, that everything that relates to retirement ought to be studied by your committee. But the question as to whether there should be one or two bills I think is one for you and Chairman Udall to decide. I think that is sort of a mutual matter.

Mr. UDALL. The Chair will say that I have some ideas on this subject which I want to discuss with my friend from New Jersey. I strongly support the bill he has introduced and I hope that we can enact it this year. There are some problems, so perhaps it should not be discussed at this particular point.

Mr. DANIELS. I will abide by your judgment, Mr. Chairman.

Mr. UDALL. The gentleman from Alabama.

Mr. BUCHANAN. Gentlemen, I want to join with the others in complimenting you on this presentation. I regret I was detained. I want to thank you for this very comprehensive report of analysis.

I join in expressing my sympathy to the members of your organization for this mirage of comparability that keeps appearing and then vanishing again on the horizon.

Like most of the members of this committee, I strongly supported the House bill last year. I felt we were making a significant step toward comparability in that bill, and I regret that it was so severely slashed in the final bill that became law. I doubly regret it in light of the situation in Vietnam, which none of us can help, an effort there which all of us support, but which nevertheless now does have a negative effect on making up this year what we failed to do last year.

I say that this thing is a comparability mirage because, as you have indicated, we haven't arrived at anything we can be certain of—of the right basis for comparability—and that we seem to have difficulty arriving at the proper linkage, as you indicated. This basis is apparently changing, and not in your favor, as the Government makes its analysis on which to base comparability.

I say mirage also because of the inflation itself which, while this income has risen in total income, so long as the goods and services one can buy keep diminishing with a given amount of dollar income then it takes a greater rise to make any real progress; and we have had the problem of inflation, which I don't think the Government employees and postal employees have caused, but from which they have suffered along with retirees and many other groups.

I think, too, Mr. Chairman, that while there is virtue in doing everything we can to hold down inflation, we are getting into conflict when we try to hold guidelines and establish comparability at the same time. It is just not exactly possible to hold Government employees to 3.2 percent when everybody else is going to take at least 3.2 percent, the guidelines to the contrary notwithstanding. So if you have one man who starts off 100 yards down the road and the second man 80 yards down the road and you never let one run any faster than the other, the second man will never catch up, and we are confronted with that problem here and I regret it.

I would, therefore, say amen to this idea of a thorough review of comparability and hope this will be done by this committee.

Finally, may I join with my colleagues in thanking you for the patriotism expressed and your willingness to accept this, which all of us recognize to be considerably less than adequate, and which does not make any progress toward comparability; for your willingness to do this in the light of the effort in Vietnam and what our boys are sacrificing there.

I think in this you are not only manifesting good leadership, Mr. Keating and Mr. Rademacher, but you are also being good representatives of the people of your organization, because I share with you the conviction that they would give first priority to Vietnam and I have complete faith in their patriotism, and therefore I believe you have done right, and I hope that in the future this committee will remember this and attempt to do everything we can to do right by you.

Mr. UDALL. The gentleman from Hawaii.

Mr. MATSUNAGA. Mr. Chairman, I tried to look at this matter from the point of view of the administration, from the point of view of the union representative, from the point of view of the employee, I looked at it as a Congressman, and I looked at it as an individual taxpayer, and I cannot but conclude that your testimony, both of you this morning, Mr. Keating, Mr. Rademacher, is one of the best that I have ever had before any committee, and I want to commend you both. I think it has made a great contribution to the deliberation which this committee must make before coming to any conclusion.

I must say that I agree with you, Mr. Keating, that I cannot agree with the administration's proposal relative to the increase in the higher levels; if there is any increase to be made because of the lack of funds at this stage of the game that the major part of the increase dollarwise ought to go to those who are really in need of those dollars.

I am inclined to agree with Mr. Keserling that we have had too much theorizing which fattens the fat and starves the lean. So I will go along with that recommendation of yours that we make that change in the administration's proposal.

As a long advocate of unionism, I was somewhat surprised at the statement made on page 5 of your testimony, Mr. Keating, the middle of the page:

> While union wage increases during 1965 were greater than in previous years, this tendency was even more pronounced in the case of nonunion employment. The southern textile industry, for example, granted three rounds of wage increases in a period of approximately 18 months. We also find that earnings for a selected group of occupations have been rising more rapidly in the less unionized areas than in the more highly organized areas.

This wouldn't speak too well for the unions. I was wondering what the explanation could be.

Mr. KEATING. Well, that is the statement made by Arthur Ross, the Commissioner of BLS. That is his comment based upon his studies. It wasn't our comment; it was his comment.

Mr. MATSUNAGA. Yes, I know, but——

Mr. KEATING. I don't understand it either. I was a little confused by that, too. That is the comment he made.

Actually another point in our comparability that makes it difficult where they compare us with GS–5, the clerical people, they are unorganized and their salaries have not advanced greatly. Now if the nonunion wages did advance, I think it was over a limited period, it was just one of those things that happened to occur. But on a long-range basis this isn't true. Union wages are far superior to nonunion wages in every industry, and on a short-term basis you might get an advance in nonunion wages that would be superior to union wages in a given area.

I might also point out when we come to comparability figures in making the comparison there are no figures taken from either Hawaii or Alaska in making that comparison. They are taken from 48 States. But our two new States are not included.

Now I think a valid comparison ought to include the 50 States because I don't think that the people in Hawaii ought to be compelled to exist on the salary scale that is paid in the poorest States economic-wise in the United States. I think that their wages ought to be taken into the comparison if we are going to have real comparability.

Mr. UDALL. Will the gentleman yield?

I noticed with some interest, in the light of the past opposition of your organization to including city, municipal and State employees in comparability studies, the very high pay that is paid in some areas to policemen and street sweepers. I wonder if we are not falling farther behind. Maybe it would be to your advantage, at some point, to include city, local, and State employees.

Mr. KEATING. It would in some areas. I think that the extremely low wages should not be used in a real comparable study. The administration is dedicated in trying to bring up the standard of wages—we hear a lot of talk about minimum wages. Now if we are going to go down and dig in the cellar to get those wages to comparability you are not getting a good comparability. It is inconsistent with everything else that is said, and you leave off the top ones but you

don't leave off the bottom ones. If you are going to leave anyone off it ought to be the ones on the bottom.

Mr. RADEMACHER. Mr. Matsunaga, this is an observation regarding the southern textile industry. There are many industries in our country who are forced to continue to increase wages to keep unions out. This is a historic policy with some organizations, some firms, and I am sure it is evident in some of the textile industry also.

Mr. MATSUNAGA. But isn't it true that in these areas mentioned by Mr. Ross the wages are still lower than the regular union wages?

Mr. RADEMACHER. They are still low, but by giving people a wage increase every 6 months they are satisfying some of the people to keep the union out. But certainly the wages of the textile industry are nowhere in line with union wages.

Mr. KEATING. Extremely low.

Mr. MATSUNAGA. So it is somewhat misleading to make a statement such as this without quoting the actual dollar earnings of the workers. This is the point I was trying to bring out and had hoped that you would bring out.

But I am inclined to agree with you, too, that comparability should not be down at the lower level. I have always been doubtful about this theory of comparability because the Federal Government which sets minimum standards ought to be able to set the pace in the lower levels, and we know that in private industry those at the low levels are so lowly paid and so poorly paid to the point where the Federal Government has had to institute poverty programs; and if we are to spend any money on poverty programs the Federal Government certainly ought to set a minimum standard where those receiving Government salaries ought not to be on poverty programs, and I am definitely in agreement with you that we should not apply the theory of comparability at the lower levels.

I wish again to commend you both for the wonderful testimony you both presented.

Mr. UDALL. The Chair observes that we have only 15 minutes before the House goes into session. Two of our most diligent members, Mr. Krebs and Mr. Cunningham, have not been heard. Without objection, we will continue in order that they be recognized.

Mr. Cunningham, I passed you by. Do you care to go first?

Mr. CUNNINGHAM. Well, I certainly want to join with the other members in the compliments that have been directed to Mr. Keating and Mr. Rademacher.

The administration proposal is a 3.2 increase and within a so-called guideline—but I notice in the first three grades there is only a 1-percent increase, and I am talking about pay, and this is the old problem of not taking care of the people that need it the most, because when you get up to grade 11 it is 3.5 increase; 12, it is 3.9; 13, it is 4.2; 14, it is 4.4; and 15, it is 4.5.

Now starting with grade 11, 3.5, and going to grade 15, 4.5. What happens to the so-called 3.2 guideline?

Mr. KEATING. Well, they take the overall like the steel settlement, for example, they say that came out 3.2. There are 32 separate wage schedules in the steel plants. So some of them—and unfortunately, in the steel, too, from what I read—the people in the lower levels got the smaller percentage and some of those in the middle or

higher levels got the higher percentage, and there has been some dissatisfaction in the steel industry because of that.

Now we believe that where you get a minimum wage or a small ncrease like this that it should be across the board, rather than some buildup.

They talk about reaching comparability, but, frankly, they have a more favorable comparison of pay in the higher levels than they do in the lower levels.

Mr. CUNNINGHAM. Well, isn't it the same old story we have heard so long, that of bringing the higher grades up fast to gain comparability, but the lower grades are falling farther and farther behind because they don't nearly come up to the standards of comparability, and we have had that before us almost every year?

Mr. KEATING. We think that the recommendation ought to be changed to give the 2.84 to everybody, rather than this 1 to 4½ percent.

Mr. CUNNINGHAM. Well, I would agree with you, and I don't like to have the public misled because in these other grades the increase is much higher, and I think the public ought to know about it.

Well, that is all I have, Mr. Chairman.

Mr. UDALL. The gentlemen from New Jersey, Mr. Krebs.

Mr. KREBS. Thank you, Mr. Chairman. I want to say that I, too, commend both Mr. Keating and Mr. Rademacher on their very excellent and informative and comprehensive prepared statements here this morning.

I want to say, too, and I think that honesty dictates that I do this—it may not be a popular or smart political thing for me to say, but I have to say that I am disappointed in the administration's guidelines. I think they are inadequate. I don't believe that they reflect the true picture, and I would much rather say that here on the record than down in some dark bar, or men's room, or somewhere.

This doesn't suggest that I am antiadministration. I think my voting record in my first year in the Congress indicates where I stand. I think that there comes a time when you feel you don't agree with something, you have to be a man and stand up and say it publicly.

I think, too, that the whole question of inflation is one that hasn't been satisfactorily conveyed to me. I don't believe that the threat of inflation is nearly so great as some would have you think. I think that if, in fact, inflation is so great—and I want to say also in that connection that I am not unpatriotic, and I subscribe to the overwhelming majority of the administration's program—but if inflation is truly the threat that it has been painted to be, then I say the whole economy and the whole populace ought to share the burden of shouldering the responsibility, and not just 2.4 million Federal civil service workers or any other isolated segment of our work force in this country; and I believe that this is something that ought to be studied not just by one group of economists or advisory board. I think this is a total public problem if it does exist, and I believe that a commission ought to be set up by the President composed of members of industry, business, and the public, and a comprehensive and profound look ought to be taken into this whole question of our economy and inflation and the dangers facing us, and recommendations from the broadest possible group of experts ought to be presented to the Congress, and

they ought to be the recommendations that guide our deliberations and our legislation.

I think, too, that the whole question of doing something affirmative and quick about the question of civil service salaries is something that should be dealt with in the proposed Senate-House committee, and I believe that we ought to get on with that quickly, and I support it completely, also.

Now there are some questions that I believe ought to be asked because of some statements put in the record, and I believe these statements ought to be explored from a couple of angles.

No. 1, there was much talk made by Mr. Macy here when he presented his testimony on Monday about how much comparability we have achieved. He made statements about comparability now being accomplished through grade 5, and as hard as I try, I can't find this to be the case. As a matter of fact, I think we are getting farther behind.

There were also questions of surveys upon which the proposed administration increases were predicated, and it is my humble judgment that if these were utilized it makes a greater gap between comparability and where we stand today. And I rather think that we are a long, long way from acquiring comparability. I would like to ask you, Mr. Keating, what do you think the actual fact is in terms of: Have we accomplished comparability? If we haven't, how far from it are we and what do we do about it?

Mr. KEATING. To begin with, of course we don't agree with the present basis of comparability, Mr. Krebs. But I might point out that 2 years ago when Chairman Macy appeared before this committee he stated we were 3 years behind in the lower levels. Now he states that with the proposed adjustments we will reach full comparability. How we got there I don't know. It must have been by magic. It hasn't been by legislation. If we have reached comparability it was from the darker recesses of magic rather than legislation. We are still 3 years behind.

Mr. KREBS. May I interrupt? We are 3 years behind comparability now, the study upon which these recommendations were based was released for publication the end of February or the beginning of March, 1965, and the resultant increases are not to go into effect until January 1, 1967, which is a 23-month span; and then if you put these increases into effect on January 1, 1967 and they prevail until December 31, 1968, according to my arithmetic you have an additional gap of 35 months. How do you relate this to the total?

Mr. KEATING. In addition to that, they have had a year's study in compiling these figures.

Mr. KREBS. The figures then were 1964 figures, or earlier?

Mr. KEATING. They went back and most of the figures come from 1964. While they were published in February and March, they were taken in 1964. They didn't take a survey over a 12-month period. They investigated in a certain given area, and most of them were taken in 1964. So these are old to start with. These were old when they were published.

Mr. KREBS. And you don't believe then that we truly have achieved comparability through grade 5 or through grade anything?

Mr. KEATING. We don't have any comparability any place, in either the postal or GS schedule. They say we are past compara-

bility, but I don't know how we got there. They admitted some years ago we weren't there, and now we are there without a trip.

Mr. KREBS. One other thing: How do you feel about the distribution of our wealth in this country? We have gone in 1932 from a $50 billion a year gross national product to a projected gross national product in 1970 for 1974 of $700 billion. Do you think that working people generally have gotten an equitable share of this growth?

Mr. KEATING. I think the opposite is true. We quoted here examples of the increases in profits, dividends have increased substantially, both over 10 percent. Interest rates have gone up now for 2 years, prime rate has gone up a half a percent both in the Federal Reserve and in the commercial banks. So the people that lend money are doing pretty well.

Labor, on the other hand, has had increases much less than that.

I have here a chart that goes back to 1959, and it shows the consumer price index at 100 at that time and the factory unit labor cost at 100. Now at the end of 1965 the consumer price index had gone up to 109.4, but the factory labor unit cost had gone down to 96.9, and this was published in Business Week. It indicates that the labor portion of our income is becoming less, and certainly in the case of Federal employees it is becoming substantially less.

Mr. KREBS. Let me ask you this: It is my curbstone recollection that the average increase of productivity in this country for the last 10 or 15 years has been 3.6 or 3.7 percent. If you and your letter carriers had gotten a 3.6 or 3.7 percent increase each year would you be any further ahead than where this chart indicates you are?

Mr. KEATING. What is that?

Mr. KREBS. That is the chart that says in 1949 you were getting $1.50 an hour, in 1950 you got no increase, 1951——

Mr. KEATING. If we got 3.7, yes; we would have been further ahead.

Mr. KREBS. Would it be substantial or average or moderate?

Mr. KEATING. Although, frankly, the average in that chart runs a little bit better than that. I think the average is a little higher than that because you had about 5 years where it went over 5 percent, and the second period of years it went 4 percent, and it is only in the last 5 years that it has been less than 4 percent.

Mr. KREBS. Yes, but you have 17 years here where 9 of the 17, better than 50 percent, you got no increase, so it had to be substantially larger than 5 percent a couple of years to bring it up to 3.7. All right, a few more questions. It was testified here that the administration or the Post Office Department or the Civil Service Commission, it was Mr. Murphy's testimony, considers the post office a continuous operation industry. Do you agree with that?

Mr. KEATING. Well, some employees work continuously. It is not a continuous operation in many areas. Some of the smaller offices are closed completely at night. Most of them close part of the 24 hours. There is a limited number of people that work, and of course, the services are not available around the clock. They are not available nearly as much as they used to be.

Mr. KREBS. I know there are some employees that work continuous shifts, but on balance you can't buy a postage stamp in the State of New Jersey after 12 o'clock on Saturdays; you can't send a registered letter on Sunday; nowhere in the State of New Jersey can you get

into a post office. They are all closed. You can't buy a postage stamp in New Jersey at 4 o'clock in the morning, week night, or Sunday or Saturday nights. So it would not be, in my judgment, a continuous operation industry.

Mr. KEATING. Your mail is not picked up after 5 or 6 o'clock in many cities.

Mr. KREBS. All right, and I will try to make these as brief—Mr. Chairman, how much time do I have?

Mr. UDALL. The gentleman has about 1 minute.

Mr. KREBS. Another statement was made that the workers in the post office system should be compared with nonproductive or white-collar workers. Do you agree with this?

Mr. KEATING. I think we should be compared with productive workers; it is not a white-collar job.

Mr. KREBS. I have a lot more questions, Mr. Chairman. But in view of the time limitations, I am finished.

Mr. UDALL. Let the Chair make one statement which I neglected to make. Mr. Rademacher made a very compelling presentation on the uniform allowance. I am distrubed by the action taken by the administration, and this is the sentiment shared by most of the members of this subcommittee. I will direct the staff to prepare appropriate language for insertion in our report because the intention was very clear that the uniform allowance would be increased, and the members would get the benefit of it. If it takes more legislation to carry out that intent, I am going to see that it is written.

At the very least, we are bound to have strong language in our report indicating the committee's determination to implement this law.

We thank all of you for your very helpful testimony this morning.

This subcommittee will meet again on Friday at 10 o'clock in this room. It stands adjourned until that time.

(Whereupon, at 12:03 p.m., the subcommittee adjourned, to reconvene Friday, March 11, 1966, at 10 a.m.)

FEDERAL SALARIES AND FRINGE BENEFITS

FRIDAY, MARCH 11, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMPENSATION OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 10 a.m., in room 215, Cannon Building, Hon. Morris K. Udall (chairman of the subcommittee) presiding.

Mr. UDALL. The subcommittee will come to order for the further consideration of Federal salaries and fringe benefits. The witnesses scheduled this morning are Mr. Hallbeck, Mr. Goodman, and Mr. O'Dwyer. We have approximately 2 hours this morning, but since the House is not in session, we could sit during the lunch hour or this afternoon, if need be.

The Chair recognizes that each of the three scheduled witnesses speaks for organizations having tens of thousands of members. The Chair is anxious to hear all that these witnesses feel should be said.

At the same time, the Chair would urge that we expedite the hearings by moving along as rapidly as possible.

From our past experience with these witnesses, we know that we will have their cooperation.

The first witness is Mr. E. C. Hallbeck, who is president of United Federation of Postal Clerks, accompanied by our old friend, Pat Nilan. We are happy to have you both here. You may proceed.

STATEMENT OF E. C. HALLBECK, PRESIDENT, UNITED FEDERATION OF POSTAL CLERKS

Mr. HALLBECK. Thank you, Mr. Chairman. I am, of course, glad to again have an opportunity to appear before this committee.

I first want to express our appreciation for this opportunity to express the views of the United Federation of Postal Clerks with respect to pending salary legislation to this distinguished committee.

I am accompanied this morning by our legislative director, Mr. Patrick J. Nilan, and with your permission each of us will discuss particular portions of the bills before you.

We believe that most postal and Federal employees are truly appreciative of the many forward steps taken by the administration and the Congress in recent years toward better pay for postal and classified workers.

We are mindful and grateful for the interest and initiatives of President Johnson, and before him, President Kennedy, in this and related fields.

We recognize that the best interests and welfare of all employees of the Federal Government are of paramount interest to the Congress, as well as the President and the administration.

We also know that postal and Federal employees are concerned about the administration's attempt to promote the continuation of an unprecedented 6-month peacetime economic boom, while at the same time restraining an excessive inflationary trend which could serve to dilute the benefits of such expansion and the growing prosperity which accompanies it.

We know that postal and Federal employees want to do their share in promoting the best interests of their country, and are just as willing to exercise necessary restraints as are any other patriotic citizens of this great country of ours. However, they believe that the pursuit of their best interests is not incompatible with this concern for the objectives of their country and the administration.

There is no single, "one-shot" invariable answer to the complex problem we are discussing today. Therefore we hope that what we present today in our statements will be recognized as what we believe to be in the best interests of our constituents—the Nation's postal clerks—while at the same time not being incompatible with national and administrative objectives.

This committee has before it a number of bills designed to provide urgently needed salary increases, as well as a proposal submitted to the Congress by President Johnson. We are grateful to the members of this committee and others who have introduced this legislation.

Most, if not all, of the bills introduced to date provide for a salary increase of approximately 7 percent. We believe that an increase of that amount can readily be justified. For the past several years the wages of employees in private industry have been increasing at a rate of approximately 3 percent a year and there is every reason to believe that this trend will continue.

According to a BLS survey, Federal salaries were lagging something between 2½ and 3 percent behind the wage paid in private industry as of March 1965. Assuming, as I think reasonable, that the normal annual increase in industry salaries has been 3 percent, we take the position that a pay raise effective right now of 6 percent would be necessary to bring Federal salaries reasonably into line with those currently being paid in private industry.

In addition, we believe that there has to be an additional upward adjustment of at least 1 percent in order to reflect changes now taking place.

One of the subjects to which I want to address my statement this morning is comparability. Over the years the Congress has demonstrated its awareness of the need of attaining realistic and meaningful comparability between postal and classified pay rates in the Federal service and the national average rates in private enterprise for equal skills, training and duties most comparable with those of our membership.

But if the application of such a comparability test awards to some workers—some postal clerks—less than they are entitled to under the administration's proposed wage guideline, doesn't it fall short of the mark?

The wages of postal and Federal employees have for years lagged far behind the wages of comparable employees in private industry. Salary increases, when they have been granted, have always been a year or 2 years, or more, behind the times.

If postal employees were to be granted a wage increase today that would make their current wage comparable with the wage paid to

employees in private industry for work requiring the same measure of skill, training and intelligence, they would receive increases of at least 7 percent.

Instead, this committee has before it the administration proposal which would raise Federal wages by an overall average of 2.84 percent. Statistics upon which this recommendation is based were gathered by the Bureau of Labor Statistics during a period which ended in March of 1965. For the most part, therefore, they reflect the wage paid during the year 1964. It was a wage higher than Federal and postal employees were paid during the year 1965. However, the administration proposal would only make the wage paid in private industry in 1964 payable to Federal employees effective January 1 of 1967, thus further widening the existing pay gap.

Adopting the administration recommendations and making them effective as of right now would, at best, raise Federal salaries only to a level that existed in private industry at the time the survey was made. It would not relate the Federal wage to the wage currently being paid in private industry.

If the increase is delayed until January of 1967 as has been proposed, the lag will be increased another year. We believe that any increase should be immediately effective.

We believe that the Congress and the administration have a responsibility to see that the current 2- or 3-year lag is eliminated. The Congress and the administration must recognize that a time lag of 2 or 3 years makes true comparability impossible.

In point of fact, comparability will never be attained until wage increases are made retroactive to the time of the Bureau of Labor Statistics survey. Anything less than this means that Government employees will be deprived of income they should have received during the period covered by the survey and prior to adjustments being made.

The Salary Reform Act of 1962 established procedures for periodic wage adjustments, based on annual surveys by the Bureau of Labor Statistics from which the Bureau of the Budget and the Civil Service Commission would make recommendations to the President for necessary changes in the wage structure that would insure comparability between the wage paid in private industry and the wage paid by the Federal Government for similar work.

We endorsed the principles of the 1962 Pay Act because we had hopes that under the inspired leadership of President Kennedy, and with the assistance of the then Secretary of Labor, Mr. Arthur Goldberg, that at long last there would be an opportunity to put Federal and postal employee wages on a basis that would insure at least a measure of economic justice. As a result of the experience we have had, I am not at all sure that we would again endorse such a proposal.

The simple truth is that the principle of comparability has not worked. It has not been allowed to work. Comparability has been sacrificed to budgetary expediency, to guidelines, to delays. As far as we are concerned, it can be put on ice until such time as this committee can give it further study.

We despair of ever achieving true comparability for post office clerks under the present act. Presently, the vast majority of our people are in PFS level 4, which by "linkage" is equated with level 5 of the GS schedule. GS-5 represents for the most part an extremely

low-salaried, white-collar group, people it would be extremely hard to find in the postal service.

The work that our people do would more appropriately be compared to the blue-collar skilled trades group, for which there is no counterpart in the GS schedules.

Comparability, if it is to mean anything at all, requires that the comparison be of like things. You cannot compare an apple and an onion and say they compare with each other merely because they are of approximately the same size and weight.

It seems to us, therefore, that there is a pressing and immediate need for a complete reappraisal of the 1962 Salary Reform Act in the light of the experience of the past 4 years. We belive that such reappraisal would result in significant amendments to the act.

I am confident that such a study would, in the case of our people, at least, provide a more realistic formula for comparing and determining future wages. I hope that this committee will give early attention to a complete reappraisal. In the meantime, the entire theory of comparability can be put in a deep freeze because it isn't working anyhow.

In the face of growing signs of unusual prosperity, the President has strongly and repeatedly emphasized adherence to the administration's guidelines. The guideline figure has been decreed to be 3.2 percent, which is supposed to approximate the rate at which productivity has been increasing throughout the Nation. We understand, however, that the Nation's productivity increase would have been calculated at 3.6 percent if the Council had used the same formula it used in every single previous year in which it has ever calculated guidelines.

The credibility of the administration's wage policy was not improved by the Council's explanation that it would simply be "inappropriate" to raise the guidelines.

The claim is that a 5-year period for calculating productivity is not long enough. We are not going to argue the merits of a longer or shorter period of time calculation. But postal workers and all Government workers are living in the "here and now" and they simply need and deserve their fair share of the Nation's increasing productivity in order to help them fulfill their hopes and aspirations, and, further, to permit them to continue to enter consumer markets with their dollars to help perpetuate our country's high levels of production and prosperity.

Organized labor has opposed the Government's wage guideline policy as prejudicial and unfair to labor, unjustly permissive to management, and tending to award the major benefits of prosperity to investors, managers and employers in general, while denying a fair share to wage earners.

By discarding its own rules for calculating the wage guideline,

states a recent report of the Economic Policy Committee of the AFL–CIO—

in flagrant effort to keep it low, the Council of Economic Advisers has destroyed the guideline's credibility, has helped to accelerate the shift of incomes away from wage and salary earners to other groups in the economy and has added to imbalances that can undermine healthy economic growth. Neither trade unionists nor members of the public at large can be expected to accept such a one-sided shift in the method of arriving at the guideline figure.

The theory supporting the "guidelines" is that average worker earnings should increase to the same degree that average productivity increases. Or, stated another way, when productivity increases—when output per unit of input, per worker increases—the gains of this increasing productivity should be shared with the workers.

It should be recognized that when there is increasing productivity—and there certainly has been in recent years—the gains of it accrue immediately to the employer. He already has "his," so to speak.

Increased productivity, whether it be in Government or private industry or business, is a matter of fact. It is then the responsibility of the employer, in Government or elsewhere, to pass these gains on to his workers who make them possible—to share the gains.

The employer can do this by lowering his prices—and I must say we have to look hard and long to find cases of this—or by increasing his wage payments to them.

We are painfully aware of the fact that the wage-price guideline on which the administration recommendations are based currently, provides for increases of not to exceed 3.2 percent. This is the guideline that has been set up for all wages, public and private. However, there are very significant differences in application.

In the private sector, the wage-price guideline is applied solely to workers. It is not applied to management, and management wage increases have far exceeded the guideline.

In the Federal sector it is proposed to dilute the value of the 3.2-percent guideline by making it applicable not only to workers, but to management as well, and to give management by far the largest dollar and percentage increases.

We propose that the maximum increases allowable under the guideline be applied across the board and solely to those in the nonmanagerial levels. We do not believe there is any more justification for diluting the possible benefits that could accrue to postal and Federal workers by including management personnel, than there would be for diluting the possible benefits that could accrue to the steelworkers, for example, by including increases for the presidents and other management officials of the steel corporations in adjusting steel wages.

Spreading the allowable increases under the guideline among exactly the same kind of people who would be covered in a similar situation in private industry, will permit a more realistic division of the "pie" among postal and classified workers. Management can always take care of itself in other ways, such as upgrading of positions.

This course of action will certainly make possible across-the-board increases to those to whom they would properly apply considerably in excess of those proposed in the President's message to the Congress.

I see no purpose at this time in submitting for the record repetitive examples of what the committee already knows. Each member of this committee is fully aware of the changes that have taken place in wage levels in his own, and other parts of the country. I am confident that without exception every member of this committee knows that wages in private industry have always gone up faster than wages in Government. They know also that private wages are continuing, and will continue, to rise. The simple truth is that Government wages have never kept up with the wages in private industry.

The administration proposes to restrain wages and prices through the device of voluntary wage-price guidelines, guidelines which now

seem to be less than valid and certainly suspect. The voluntary feature has more expression outside of Government than inside it, we all know.

"Consultation" and the opportunity to make statements before the distinguished members of the subcommittee we appreciate, but in the final analysis we can only acquiesce in the bill which is finally passed.

We hope we can also applaud what you and the other Members of Congress finally see fit to extend to our members and other Federal employees as a just and fair salary-benefit package.

Labor and wages have not made a net contribution to any inflationary pressures which may exist. This is because the increase in workers' earnings has been less than increases in productivity.

In his Economic Report, the President has stated that unit labor costs in the national economy "have barely moved as gains in productivity have largely offset moderate increases in hourly labor costs." We believe it is even more significant that the Economic Report showed that in the key manufacturing sector, unit labor costs have been in a declining trend since 1960—having declined eight-tenths of 1 percent in 1965 alone.

It seems clear that in the major industries where productivity has continued to rise—where unit costs have decreased through more efficient production—prices have been set by factors which have little or nothing to do with labor costs. If this is true, where is the linkage feared by the administration between wages and inflation?

Despite this record of relatively stable unit labor costs in the economy as a whole and declining costs of labor per unit in manufacturing, the level of consumer prices has risen over 1 percent per year in recent years and wholesale prices have increased 4½ percent during the past 18 months. To illustrate this distinction between wage increases and price increases, I quote the AFL–CIO policy committee's recent report to the executive council.

> In unorganized companies, wages are set unilaterally by the employer. Where employees are represented by unions, wages are determined jointly, through collective bargaining, with the restraint of employer resistance.
>
> In addition, millions of employees in major industries are covered by long-term agreements, that provide extensive periods of time before they are subject to renegotiation.
>
> On the other hand, prices in several key industries are effectively set by a few top executives of the dominant corporations and in many other industries prices respond to immediate market opportunities with little if any regard for costs.

When prices are detached from unit costs they cease to reflect efficiency or productivity. It follows, then, that the problem of rising prices cannot be attacked by limiting wages to an arbitrary level based upon an estimate of efficiency and costs.

The United Federation of Postal Clerks submits that in its efforts to hold down wages through the wage-guideline policy, the administration has ignored the main pressure against stability in the economy—prices and resulting excess profits.

The Commerce Department reported in February that dividends paid by U.S. corporations during 1965 were up to 10.25 percent over 1964 and totaled $19.5 billion—and this report covered only 20 industry groups.

In a study of 13 major corporations during 1965—see attached table—it will be seen that net profits after taxes of these 13 major corporations averaged 33.8 percent over the previous year. The

profits of some of these corporations were as high as 74 and 76 percent over the previous year.

Quite frankly, we believe that it is going to take more than wage-price controls to do the job. Any burdens should be shared by all, not just those least able to bear them.

At this time, and with the approval of the committee, I would like to ask Mr. Patrick J. Nilan, our legislative director, to present our views with respect to other features of the President's proposals and bills pending before this committee.

Mr. UDALL. We would be happy to hear from Mr. Nilan. Before that, the Chair would ask unanimous consent for the table attached to your statement to appear in the record. Without objection, it is so ordered.

(The table follows:)

Net profit after taxes of 13 major corporations, 1964 and 1965

[Dollars in millions]

Corporation	1964	1965	Percent increase in profits
United Air Lines	$9.60	$14.57	+51.8
General Motors	1,137.77	1,274.84	+12.0
Ford Motors	324.00	438.10	+35.2
General Electric	134.41	167.31	+24.5
Radio Corp. of America	37.60	43.90	+16.8
Westinghouse	28.43	49.60	+74.5
Allis-Chalmers	6.27	11.04	+76.1
Bethlehem Steel	68.66	89.20	+29.9
United States Steel	112.24	154.82	+37.9
General Tire & Rubber	16.90	19.22	+13.7
Goodrich	6.57	9.10	+38.5
Goodyear	19.97	22.17	+11.0
U.S. Rubber	6.54	7.74	+18.3

NOTE.—Statistics from Standard & Poor's Compendium of American Industries issued in December 1965.

Mr. UDALL. I suppose someone might suggest that we have guidelines for dividends for stockholders if we are going to have them on employees.

Mr. HALLBECK. I think it not at all unreasonable.

Mr. UDALL. All right. Thank you. Mr. Nilan, you may proceed.

STATEMENT OF PATRICK J. NILAN, LEGISLATIVE DIRECTOR, UNITED FEDERATION OF POSTAL CLERKS, AFL–CIO

Mr. NILAN. Mr. Chairman and members of the joint subcommittee, thank you very much for the opportunity to present some additional views of the United Federation of Postal Clerks concerning compensation, retirement, health benefits, and life insurance.

First, Mr. Chairman, we urge this committee to consider enactment of the overtime proposals provided in H.R. 12094, as follows:

(1) Overtime for all hours of work in excess of 8 hours in any 1 day for all substitute postal employees.

(2) Each employee shall be paid for all work in excess of 8 hours in 1 day at the rate of 150 percent of his hourly basic compensation.

(3) Each employee who performs work on Saturdays shall be paid at the rate of 150 percent of his hourly basic compensation.

(4) Each employee who performs work on Sundays or on a day referred to as a holiday in section 87b of title 5 or on a day designated

by Executive order as a holiday for Federal employees generally shall be paid at the rate of 200 percent of his hourly basic compensation.

Mr. Chairman, we also appreciate Mr. Paul Krebs of this committee introducing legislation in this regard.

Mr. Chairman, we also urge this committee to consider the enactment of legislation which would specifically establish a Monday through Friday basic workweek for all postal employees with the overtime compensation to be paid as outlined in the above sections (1) through (4).

We respectfully suggest to this committee that it is most important that legislation be enacted into law as promptly as possible to compensate substitute postal employees at the rate of time and one-half overtime pay for all hours worked in excess of 8 hours each day. It is indeed tragic that the Government, which should be a model employer, insists that substitutes are not entitled to the same consideration as other regular employees when working more than 8 hours a day.

Mr. Chairman, we do not intend to belabor this point as we certainly believe that this committee and the U.S. House of Representatives received ample documentation during the 1st session of the 89th Congress in support of overtime pay for substitutes after 8 hours a day, as was indicated in the House approval of the original 1965 salary legislation, H.R. 10281.

We would, however, certainly suggest that the testimony presented by Assistant Postmaster General Richard J. Murphy before this committee on March 8, 1966, concerning overtime practices in private industry for hourly rate employees—which substitute employees in the postal service are by law—supports our contention that this Congress should approve such overtime pay. I refer to only one part of Mr. Murphy's testimony as an indication of support for our position, and I quote:

> Of 400 contracts reviewed by the Bureau of National Affairs, 90 percent specified time and one-half for overtime after 8 hours in 1 day.

Regretfully, Mr. Murphy went on to say:

> But we ought not to look at these facts as appropriate comparisons with our substitutes. Our substitutes are really a unique group.

Mr. Chairman and members of the committee, I suggest that as long as substitute employees are not paid time and one-half overtime rates for hours of work in excess of 8 hours in 1 day that those substitutes really are a unique group, as Mr. Murphy suggests. We believe there can be no question but that the Post Office Department is completely out of step with enlightened private sector overtime practices in refusing to realistically endorse and recommend overtime pay for substitutes after 8 hours in each workday. We sincerely urge your consideration of this important legislative proposal during this session of the Congress.

Mr. Chairman and members of the committee, when Assistant Postmaster General Richard Murphy appeared before this committee on March 8, he also referred to "other bills now pending before you as they relate to premium or special pay considerations for postal employees."

At that time Mr. Murphy emphatically endorsed a proposal to extend the maximum number of consecutive hours during which

a postal employee may be worked or be available for work from 12 hours, as presently provided in Public Law 89–301, to 15 hours a day. We are absolutely not in agreement with this expression by Mr. Murphy and the Post Office Department.

The United Federation of Postal Clerks would consider such legislation a distinct backward step and completely unnecessary. To avoid any possible misunderstanding, the United Federation of Postal Clerks is absolutely, unequivocally, and 100 percent opposed to this proposal by the Post Office Department and strongly urges this committee and the Congress to retain a 12-hour-work-span limitation as presently provided in Public Law 89–301, and this 12-hour limitation should be the absolute limit for any workday.

We also must state, Mr. Chairman, that contrary to the suggestions by Mr. Murphy and Mr. Swygert of the Post Office Department before this committee, that we as a union have received a comparative handful of complaints on this 12-hour-work-span limitation in Public Law 89–301.

Certainly as the exclusive union representative for the Post Office Department's 245,000 postal clerks, our union would have been contacted by postal clerk employees if there was any strong objection to the 12-hour limitation by our people. I am confident, Mr. Chairman, that if the work span should happen to be increased to 15 hours a day, instead of the present 12-hour limitation, that the overwhelming majority of our postal clerk membership would vehemently complain to our union.

Also in the area of compensation, we would like to urge this committee to give consideration for enactment of legislation to correct the many inequities in pay resulting originally from Public Law 68 of the 84th Congress, enacted on June 10, 1955. These inequities were subsequently extended by the so-called Salary Reform Act of 1962, actually Public Law 87–793, approved on October 11, 1962, and Public Law 88–426, enacted on August 14, 1964.

These inequities are the direct result of the earlier decisions by Congress not to provide full credits for years of service in conversions of postal employees from salary schedules in effect prior to the enactment of Public Law 87–793 and subsequently Public Law 88–426. Unfortunately, section 114 of the latter law enacted on August 14, 1964, failed to correct these inequities and neither did Public Law 89–301 enacted during the last session of the Congress.

Rather than explain these inequities in detail during this hearing, we are including attachment A at the end of our statement to support our representations urging correction of these inequities. The proposals we are making in this regard are similar to the Dulski amendment legislation considered in previous sessions of the Congress.

Mr. Chairman and members of the committee, we regret that our testimony on fringe benefits such as retirement and health benefits must, at this time, necessarily be limited to some extent. As you know, until the President's message was received by the Congress on Monday of this week, we were not aware that fringe benefits would be included in the pay message. Also, we were unaware that all three of these important areas of employee benefits would be considered at one time before this joint subcommittee conducting the hearings on Federal employee compensation.

Therefore, we are unable to present our proposals in detail and document our position concerning each of these legislative endeavors. However, the United Federation of Postal Clerks would like to express itself for the record in each instance, including consideration of improved Federal employee life insurance benefits.

The legislative goal for improved and liberalized retirement benefits for our AFL-CIO postal clerk membership is employee-optional retirement with 30 years of service, regardless of age at no reduction in annuity. The present administration proposal falls far short of this goal, although employee-optional retirement at age 55 with 30 years of service, and the other retirement proposals would be definite improvements. This would be particularly true if employees were not required to increase their contributions by 0.5 percent to the CSC retirement system.

At the present time, Mr. Chairman, we are not convinced that the administration suggested 0.5 percent increase in contributions by employees for these benefits is necessary, and we urge the committee to inquire at length concerning any such need for increased employee contributions. Remember, this 0.5-percent increase is not just for 1 year, but each and every year of the employee's working life.

We also state, Mr. Chairman, that our organizasion would much more enthusiastically support the retirement legislation introduced by Congressman Dominick, V. Daniels, the distinguished chairman of this House Post Office and Civil Service Subcommittee on Retirement, Insurance, and Health Benefits; namely, H.R. 430. Also H.R. 9, the omnibus retirement bill by Congressman Arnold Olsen, certainly deserves consideration by this committee.

In the area of health benefits the 0.1-percent cost item of the so-called package proposed by the administration for increasing Government contributions to health benefit premiums is certainly totally inadequate, although it is gratifying to note that the administration has finally recognized the need for liberalization—meager though it may be—of Government contributions.

The goal of UFPC in this area is ultimate complete payment by the Government of health benefit premiums. Certainly Government should at this time contribute at least an equal share of such costs (50–50) with postal and Federal employees consistent with what we believe the minimum average practice is in private industry.

If these organization goals cannot be accomplished at this time, we urge that the administration's proposal for a two-step increase in contributions over a 2-year period starting in 1967 be combined into a single total increase based on the 0.1-percent cost item as of the effective date of this legislation.

We suggest this Mr. Chairman because it is obvious to those of us who have worked with the health benefits program, that by 1968 when the proposed legislation in the health benefits area become available, that by that time the Government contribution would then be down to 10 percent that is presently recommended in their representation.

Mr. Chairman, we are including attachment B at the end of this statement as a partial listing of representative industry which already is paying 100 percent of premium costs for health benefit coverage of their employees and dependents for the information of the committee.

I might add here that it was interesting to note that the three major automobile companies, General Motors, Chrysler, and Ford, all have 100-percent payment of premiums for employees in their respective health benefit programs.

The Federal Employees Health Benefits Act of 1959 provided that the Government will share in the cost of health benefit plans for its employees, consistent with general practice in private industry. The principle set forth in this act was that the Government's contributions "shall be 50 percent of the lowest rate charged by a carrier" of a Government-wide plan for a low-option level of benefits, within a fixed maximum and minimum. An attractive feature of this plan at that time was that employees could purchase—at their own expense—additional benefits comprising a high-option plan the cost of which would be offset, in part, by the Government's contribution to the low-option plan.

While at that time the formula appeared as an attractive feature of the program it did give rise to a number of unforeseen problems. Those employees who anticipated lower health care needs chose the low-option plan and claims against this plan have been so low that premium costs have remained stable since inception despite the steady rise in health service costs.

Since Government contributions are pegged to premium rates for the lowest level of benefits, there has been no increase in Government contributions. This is still the case, after 5 years, despite the fact that for most of those covered for high option benefits there has been an increase of 20 to 30 percent in premium rates.

Before November 1964 Government contributions covered 35 to 40 percent of the cost of high option benefits. At this ratio, an increase in premium rates equivalent to 25 percent, or approximately the amount that premium rates for high option plans increased between 1960 and 1964, would in the future if projected add 40 percent to the employee's share of the cost.

Since 85 percent of all Federal employees are enrolled in high option plans, the vast majority of Government workers are presently paying 72 percent or more of their health benefit costs. The administration's plan, as presented by Mr. Macy, would reduce this burden by only 10 percent. It would not, however, attempt to solve the problems caused by the fact that those who need health care least will continue to receive the largest share of relief from the Government. Those who need health benefits most will have to pay more from their own pockets.

To quote Mr. Macy's statement before this committee:

> Increases in health insurance premiums are inevitable; they are caused by the increasing cost and the increasing use of medical care * * *. In the absence of an increase in the Government's contribution, an increase in premium would be paid entirely by the employee and it would reduce his take-home pay.

As long as the Government's contribution is pegged to a plan likely to be selected by people needing a minimum of health care, these costs will continue to reduce employees' income.

Mr. Chairman, we suggest that in this important area of employee health benefits, H.R. 428, by Chairman Daniels, to increase Government contributions to $2 biweekly for self only, and $5 biweekly for self and family would be much more acceptable to our membership as a start at this time in the right direction.

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We would like to earnestly suggest to Mr. Daniels, as chairman of the Subcommittee on Retirement, that his committee seriously consider a field investigation of the skyrocketing increases in hospital-medical costs during recent years as related to the absolute necessity to substantially increase health benefit plan premiums under the Federal program to offset these tremendous hospital-medical expenses.

We would like to quote the following statistics from the BLS Consumer Price Index as but one reason for offering this suggestion:

"(1) Medical care is up 19 percent from 1960 to 1964.

"(2) In 1960 the average cost per patient day was $32.23, average length of stay was 7.6 days, and average cost per patient stay was $244.53."

However, 4 years later, in 1964 the average cost per patient day was $41.58, average length of stay was 7.7 days, and the average cost per patient stay was $320.17. These statistics demonstrate a 26-percent increase in hospital care expenses from 1960 to 1964.

"(3) For the 10-year period 1954–64, the cost of an average patient stay increased 89 percent, from $169.67 to $320.17."

Mr. Chairman, we are also including attachment C to this statement, a reprint from a recent edition of the New York Times. I regret we do not have the date of publication available but we will make it available. This news report suggests numerous reasons for inquiring into the relationship of health benefit payments for surgeon fees and related additional charges to patients.

In concluding my testimony, Mr. Chairman and members of the committee, the United Federation of Postal Clerks would certainly be ungrateful if we did not state our appreciation to Chairman Daniels and his subcommittee for the recent hearings on H.R. 11879. This legislation by Chairman Daniels proposing to improve the Federal employees' life insurance program received the wholehearted and warm support of UFPC when we testified on February 16, 1966. We sincerely hope H.R. 11879 will be favorably reported out of Mr. Daniels' subcommittee and the full committee and enacted into law before this session of Congress adjourns.

It is doubly unfortunate the administration first not only opposed enactment of the Daniels' life insurance bill, H.R. 11879, but also refused to include any proposal on life insurance improvements in its message to the Congress on March 7, 1966. We urge enactment of H.R. 11879 in the area of employee life insurance benefits at this time, with the hope that the UFPC ultimate goal of full payment by the Government of life insurance premiums will be realized in the not-too-distant future.

We certainly appreciate the splendid cooperation of Chairman Udall and the members of his Subcommittee on Compensation for expediting hearings much earlier this year than was possible in 1965. The officers and members of the United Federation of Postal Clerks always have, and always will, appreciate the genuine interest and sympathetic understanding which the Congress of the United States always demonstrates in the problems of our people.

Thank you, Mr. Chairman and members of this joint committee, for your patience and kind indulgence in permitting the United Federation of Postal Clerks, AFL–CIO, to testify on compensation, retirement, health benefits, and life insurance before this committee

all at the same time—somewhat different than appearing before you on each of these questions separately, but all of them most important to our membership.

Thank you, Mr. Chairman.

Mr. UDALL. Thank you, Mr. Nilan and Mr. Hallbeck, for a very effective and helpful testimony. Unless there is an objection, attachments A, B, and C to the statement of Mr. Nilan will appear in the record at this point. Hearing no objection, it is so ordered.

(The attachments follow:)

In regard to the inequities being endured by many, many of our members as the result of salary acts starting in 1955 and remaining uncorrected to date, we would like to explain the problems with suggested remedial legislative proposals.

As an example, postal clerks in PFS level 4 were converted under the salary schedules of Public Law 87–793 to a new series of pay steps, 1–12, and at the same time were required to commence new anniversary dates consistent with the effective date of the law for what are generally referred to as "longevity steps." In thousands of cases, estimated potentially to be 191,000, employees lost anywhere from 2 weeks to 2 years, 11 months and 2 weeks credit toward a next higher longevity pay step. These are clerks and letter carriers in steps 8–11 of level 4.

Public Law 88–426, enacted on August 14, 1964, did not correct these inequities and did not restore credits for years of postal service for pay purposes. As a result, clerks comparatively "junior" to more "senior" clerks (up to almost 3 years junior) have continued to receive the same pay as the more senior employees. This situation also applies to letter carrier employees in level 4.

Unfortunately, there are even more glaring pay inequities where junior employees in level 4 and other salary levels are promoted to higher salary level positions and receive a higher rate of compensation than employees senior to them in these same higher pay levels.

Mr. Chairman, we cite two specific examples to explain these inequities where such promotions are involved and which would also be corrected by legislation properly crediting total years of postal service for salary purposes.

Junior clerks promoted after January 1, 1964 are receiving $205 more per annum, at present, than senior clerks promoted prior to January 1, 1964. They perform the same duties.

Example: A mobile clerk with 25 years' service is in level 5, step 10, $6,965. A post office clerk with the same years of service is in level 4, step 11, $6,650.

If the post office clerk transfers to road duty (a mobile clerk) he is promoted to level 5, step 11, $7,145. Here are two men with the same number of years in the postal service working side by side, doing the same work and one is receiving $180 more per annum than his coworker.

Another example: Promotion from level 5, step 10 to level 7 (supervisor).

Prior to January 1, 1964: Promotion from level 5, step 10 was to level 7, step 6.

Level 5, step 10	$6,450
Two-step increase	330
Total	6,780

Placed in level 7, step 6, $6,780.

After January 1, 1964: A promotion from level 5, step 10 was to level 7, step 7.

Level 5, step 10	$6,615
Two-step increase	340
Total	6,955

Since $6,955 was higher than level 7, step 6, promotion was to level 7, step 7, $7,150.

There are numerous such inequities, but these two examples are indicative of the need for the corrective legislation which we have suggested. The questions are why should a junior employee receive more money than a senior employee when they are both performing the same duties and why should one of two employees performing the same duties be receiving less than the other employee when they both have been in the postal service for the same length of time? We do not believe they should.

This is why we request this committee to amend section 3552 of title 39, United States Code, by adding the following new subsection:

"(e) Notwithstanding the foregoing provisions of this section, each employee—

"(1) Who, immediately prior to the first day of the first pay period which began on or after the date of enactment of the Postal Employees Salary Adjustment Act of 1962 (76 Stat. 850, Public Law 87–793), was subject to the postal field service schedule, the rural carrier schedule, or the fourth-class office schedule, and

"(2) Who is holding a position subject to any such schedule on the first day of the first pay period which begins on or after the date of enactment of this subsection, and

"(3) Who has not reached the highest step for his position; shall effective on the first day of the first pay period which begins on or after the date of enactment of this subsection—

"(A) Be placed in the appropriate step of his salary schedule determined in accordance with subsections (a), (b), and (c), of this section, on the basis of his total satisfactory postal service, without being considered to have received an equivalent increase in compensation by reason of such placement in step, or

"(B) Be retained in the existing step of his position if the application of subparagraph (A) would result in a reduction in compensation,

until he is entitled to further advancement by step increases under subsections (a), (b), and (c) of this section. Credit earned prior to adjustment under this subsection and not used in computing such adjustment shall be retained for purposes of all such further advancements."

Mr. Chairman and members of the committee, we do urge your favorable consideration of this recommendation. Justice has already been delayed much too long and "justice delayed is justice denied."

Allis-Chalmers Manufacturing Co., West Allis, Wis.
American Smelting & Refining Co., 120 Broadway, New York, N.Y.
Chain Belt Co., 4501 West Greenfield Avenue, Milwaukee, Wis.
Caterpillar Tractor Co., 600 West Washington Street, Peoria, Ill.
Continental Can Co., 633 Third Avenue, New York, N.Y.
Ford Motor Co., Dearborn, Mich.
Chrysler Corp., 341 Massachusetts Avenue, Detroit, Mich.
General Motors Corp., Detroit, Mich.
Kaiser Aluminum & Chemical Corp., 300 Lakeside Drive, Oakland, Calif.
American Potash & Chemical Corp., Los Angeles, Calif. (Trona, Calif. plant)
Fuller Brush Co., East Hartford, Conn.
General Insulated Wire Works, Providence, R.I.
Diebold, Inc., Canton, Ohio
Kaiser Gypsum Co., Inc., Oakland, Calif. (Long Beach plant)
International Resistance Co., Philadelphia, Pa.
Iowa Power & Light Co., Des Moines, Iowa
Motor Wheel Corp., Lansing, Mich.
New England Telephone & Telegraph Co., Boston, Mass.
The Tappan Co., Mansfield, Ohio
Xerox Corp., Rochester, N.Y.
Pabst Brewing Co., Milwaukee, Wis.
L. J. Wing Manufacruting Co., Linden, N.J.
Weirton Steel Co., Weirton, W. Va.
Youngstown Foundry & Machine Co., Youngstown, Ohio
Inland Steel Co., Chicago, Ill.
United States Steel Corp., New York, N.Y.
Revere Sugar Refinery, Charlestown, Mass.
National Acme Co., Cleveland, Ohio
Vancouver Plywood Co., Vancouver, Wash.

As early as 1963, BLS figures show that it was an increasing practice in private industry that all health benefit costs would be paid by the employer. A BLS survey for that year showed that well over one-half of the industries sampled, paid all health benefit costs for their employees. We are satisfied that this trend has continued and that noncontributory health plans are more widespread now than

3 years ago. While we do not propose immediate assumption by the Government of all health benefits costs, we again suggest that payment of 50 percent of these costs would be much more consistent with private industry than the 38 percent level proposed by the administration.

[From the New York Times]

SURGICAL BENEFIT SEEN AS LAGGING—STUDY FINDS FEES OUTPACE INSURANCE REIMBURSEMENTS

(By Damon Stetson)

NEW YORK, November 17.—A study of 12 employer-employee health and welfare plans has indicated that surgeons' fees were increased as the schedule of allowances for operations was raised.

The survey, conducted by the New York Labor-Management Council of Health and Welfare Plans, Inc., showed that bills of surgeons were on the average almost 100 percent more than the amount reimbursed by surgical fee insurance.

The study concluded that patients had to match out of their own pockets almost as much as they received from insurance. Put another way, it said, average insurance reimbursements cover 57 percent of the average surgeon's bill, with the patient paying the remaining 43 percent.

FEES CALLED UNREASONABLE

Efrem Kahn, chairman of the council and president of E. A. Kahn & Co., and Jay Rubin, cochairman and president of the New York Hotel Trades Council, said "Funds included in the study are typical of those covering millions of New Yorkers."

"Some of them have the most liberal reimbursement fees for the payment of surgeons' bills, ranging in some cases up to $500. Yet even these funds could not provide reimbursements that would adequately protect employees from heavy out-of-pocket medical costs.

"The results of the study raise serious questions, not only for active employees, employers, and the welfare funds, but for the success of the new social security medicare program. That program, so urgently needed, will insure elderly Americans for reasonable physicians' fees. But our study shows that many surgeons' fees are unreasonable, if measured against reasonable, even liberal, reimbursement schedules."

The study showed, for example, that when a fund paid $50 for a tonsillectomy and adenoidectomy, the average surgeon's charge was $74. When a fund paid $65 for the operations, it said, the average physician's charge rose to $85.

The study found many of the physicians performing major surgery did not have the rating of diplomate or fellow of a specialty college, denoting the highest skill. It also said that a significant amount of surgery being performed in the New York area was done in hospitals not accredited by the American Hospital Association and the American Medical Association.

Among the recommendations of the study were establishment of a fee schedule that would pay complete costs, and that medical care consumer groups and organized medicine set up committees to make certain fee schedules were followed.

Mr. NILAN. Mr. Chairman, may I at this point also ask that the statement that I made available to the committee by Mrs. Victor Reimann, president of our national woman's auxiliary, also be inserted in the record.

Mr. UDALL. The Chair will make that unanimous consent. Is there any objection? Hearing none, it is so ordered.

Mr. NILAN. Thank you, Mr. Chairman.

(The statement referred to follows:)

PREPARED STATEMENT OF MRS. VICTOR REIMANN, PRESIDENT, NATIONAL WOMAN'S AUXILIARY TO UNITED FEDERATION OF POSTAL CLERKS, AFL-CIO

Mr. Chairman and members of the committee, for the record, I am Mrs. Victor Reimann, national president of the Woman's Auxiliary to the United Federation of Postal Clerks, AFL-CIO. I appreciate this opportunity to submit a state-

ment in behalf of the wives, mothers, daughters, and sisters of the 245,000 postal clerks and to point out the woman's viewpoint on the question of a much needed salary increase. In this report I want to speak primarily for postal clerks and their families.

The wives and mothers of postal clerks, as homemakers in general, are the first to realize the need for more adequate and comparable salaries. We bear the brunt of revising the already overstretched budget to cope with the ever-rising and increased costs and prices each month. Perhaps even better than the employees themselves we realize how inadequate the incomes of postal clerks really are.

It is our job as the homemakers to see that our families have the best food, clothing, and shelter the worker's earning power will purchase. We are concerned with increased cost of living because there are no guidelines on prices and no guidelines for profits and dividends.

Twenty percent of the income is estimated to be spent for food. The continued rise in food prices are a great concern and our biggest problem. From January 1965 to January 1966, food averaged an increase of 4.5 percent which reflected a 13-percent increase in meat prices. Pork prices alone were 36-percent higher over the year. Eggs rose almost 15 percent in price. Cost of fresh vegetables advanced 3 percent, lettuce even went up 25 percent, and apples 2½ percent.

Each year we find a decrease in the amount of food and the number of items you can purchase for $10. Today in my city of Evansville, Ind., $10 will buy approximately the following: 10 pounds potatoes, 4 quarts milk, 10 pound flour, 5 pounds sugar, 3 loaves of bread, a 6-pound roast, and 1 dozen eggs. These are certainly not luxury items but very necessary items.

Clothing prices are higher but the clothing problem we can control somewhat by just not buying any more than the absolute minimum, or by remaking and altering clothing on hand. But we do have to buy shoes and the cost has advanced as much as $1 and even $2 on the pair.

Consumer services rose 2.5 percent. Homeowners costs, rents, laundry costs all advanced in 1965. Transportation services advanced more than 4 percent, so this means higher rates for automobile insurance, gasoline, accident insurance, registration fees, and driver's license fees.

The advance in barber and beauty shop prices can be controlled somewhat. Trips to the beauty shop can be dispensed with but barber shops must be frequented. However, there are more of us each day learning to cut a boy's hair as well as we cut a girl's. And, some of our wives are even brave enough to try out the trimming of the man's hair because when you have a family with a couple of boys and a husband and haircuts run from $2 to $3 each, this can make quite a dent in the family budget and then haircuts become a luxury item instead of a necessity. Or, we can let our boys go modern and wear the Beatle hair styles and save on trips to the barbershop, which most of us do not approve of.

We have some of the most thrifty and best bargain hunters of all housewives. Most of our homemakers buy in the chain stores as neighborhood stores are much higher. Also we shop for the biggest bargains in everything that we buy. If it were not for sales and our bargain hunting, we would not be able to have the things we now have.

Recently, the AFL–CIO Department of Research updated the family budget to show the changes in living standards and buying patterns for the fall of 1964. Postal clerks were at least 6 percent behind them, and since prices have increased since this survey, we are even further behind. The total cost of a budget in 20 major cities in the autumn of 1964 was estimated to be $6,418. This was a worker with two children, son and a daughter, ages 13 and 8. The budget included rent and utilities, average between car owners and nonowners, and allowed for life insurance, occupational expenses, etc. It listed the following:

Housing, $1,441; food, $1,899; clothing, $581; medical care, $365; transportation, $491; other goods and services $764; personal taxes, $555; other costs $322. This allowed for less than one egg per person per day and 3 quarts of milk and milk products per day per family; they considered a five-room house or apartment with one bath and they maintained a 70° temperature during the winter; bought a TV set every 9 years and a used car every 3 years. This allowed for a washing machine every 8 years. This was a modest adequate living for four people with a cost tag of $123 a week.

If this was a modest but adequate living, then I'm afraid our postal clerks are lagging considerably behind this living scale. The average postal clerk is in level 4, step 7, and makes less than $110 per week after retirement is deducted. Most

of our clerks enter the service at level 4 and advance in 12 steps from $5,181 to $7,062, but it takes them over 20 years to attain the highest level.

Here are the results of a survey made in my hometown of probably what would be considered a fairly average family of a clerk in level 4, step 7, whose salary is $6,207 yearly before deductions. This couple was married in 1957, are 28 and 26 years of age, have 4 children—two boys and two girls, ages 8, 6½, 5, and 4. They help support a 16-year-old brother who lives with them. Like most average families they also have a dog. In 1962 they bought a $10,950 home which has three bedrooms, bath, living room, and kitchen. Their refrigerator is 7 years old, TV 5, washer 2, and have a used dryer. Following are their expenses incurred during 1965:

Food, $1,788. This includes all staples needed for running a home such as laundry soap, cleaning powders, bathroom necessities, etc. It also includes food for the dog. It does not, however, include coffee, cigarettes, or any alcoholic beverages as they do not use any of these items.

House payments, $1,718.28. They bought their home on an FHA loan. This does not include any upkeep on the home nor an extermination job that had to be done last year which ran $110 but it includes utilities, taxes, and furniture payments.

Transportation, $1,763.62. Car payments, licenses, gasoline, and upkeep on two vehicles. There is no public transportation available so they need a second means of transportation because of the hours he works so they bought a motorcycle as this is cheaper than a second car.

Clothing, $352. This is a most conservative figure for a family this size. This woman also uses very little cosmetics.

Other goods and services, $170. This reflects only the cost of sending their children to school—cost of school tuition, school lunches, etc.

Other costs, $733.65. Life insurance, health insurance, doctor, and medicine over and above the health insurance allowance. No dental costs included.

Contributions, $200. Contributions weekly to their church and another weekly contribution. Also all civic contributions that are collected periodically.

They manage to have an $18.75 bond taken out of his salary each payday. The bonds necessarily need to be cashed occasionally to pay emergencies but it shows they do try to save.

The items listed above I would consider as necessary expenses and they add to $6,725.65. At this present salary, if they tried to live on that alone, they would be losing $518.65 each year. It is apparent, then, that a second income is necessary in this family.

This is a story that is repeated again and again throughout our postal families.

In many of our families our men must hold down a second job. The Bureau of Labor Statistics report that 1 of every 9 of the Post Office's 630,000 employees has a second job. This report further states that they moonlight because they "need the money." It's no wonder our men must of necessity hold down two jobs. And what does this second job do? It provides the needed income but also at the same time it works against the worker's morale, his family life, and his health.

In the families where our men do not have a second job, our wives must work. It is estimated that one-third of our women are employed in this country today and I know that our postal wives make up a good percentage of these statistics. Our wives do not work because they like to get away from home and the responsibility of raising their families. They work because they must supplement the income of the family. And these wives working cause us great concern. In many cases it leaves our children by themselves too much and children left alone can be a contributing factor to juvenile delinquency. In other families the wives work the hours their husbands are at home so this means there is no family life here.

If our women could afford to stay at home, we feel that surely it would open up more jobs for men and relieve unemployment and provide openings for the young people who are going out into the working field each year.

Everyone seems to be in agreement that Government salaries lag behind private industry salaries and that postal employees' salaries should be made to be comparable to the salaries of private industry but this assumption is not brought to a successful conclusion by catching up the lagging.

But we in the postal family still pay the same comparable price as those in private industry. A loaf of bread cost us from 29 cents to 35 cents and a quart of milk costs us 20 cents to 25 cents the same as it does workers in private industry. We pay the same prices for utilities, taxes, insurance, education, clothing, food

transportation, and all else. We find no cost-of-living adjustments made to us to compensate for the lag in true comparability of salary.

Also we are asked to contribute in comparability to all civic projects such as Community Fund, Mental Health, Red Cross, March of Dimes, and all others. And we do this as a part of making a better world and a better community. But charity does begin at home and we desire to feed and properly clothe our own families and educate our own children and take care of their many needs as a worthy cause too.

Another point that we feel should be considered as important is the fact that the lag in comparability of salary has certainly resulted in the failure to attract the type of people desirable and needed to do the highly efficient work in the postal and Federal service. We are attracting fewer people because of the more lucrative positions outside the postal and Federal service. And each year true comparability is denied, this means additional hardships will be created.

Just this week I read where the iron workers in Denver are asking for 16.5 percent increases; New Jersey operating engineers are seeking 11 percent; Pittsburgh carpenters, 10 percent with fringe benefits; and the Louisville craft union seeks 10 percent with fringe benefits.

We want our postal clerks to take pride in their jobs and their responsibility to the Government in handling the mail. And, if the postal clerks know they can depend on just treatment; have a salary comparable to the demands made on their time, their energy and their health, then jobs will be handled with the greatest degree of efficiency possible. To have the additional strain put upon our men because their salary and the cost of living does not tally is really tragic and we women feel this more keenly than perhaps anyone.

We realize that you, the members of this committee, are put in a position to decide between what is a fair increase for postal families and what is a level for the whole country and we know what a responsibility lies with all of you. But, we also feel that we are not out of line in asking for a reasonable salary for our postal clerks; a chance to be able to live as other wives do; a chance for working conditions that will enable us to hold our families together and build for a greater future. So, we hope and pray that this committee will favor legislation in its entirety as recommended in the bill of Congressman Paul J. Krebs, H.R. 12094.

May we again thank you most humbly for listening to our side of this story.

Mr. UDALL. I think the statement on page 4 of Mr. Hallbeck's presentation is a very ominous one.

Mr. Keating said the other day that employee organizations who so loyally fought for this principle of comparability are now disenchanted—think it is a dead letter, that it hasn't worked.

This should be a very ominous thing for the administration and those who make policy in this field. The comparability principle said what I felt was a permanent resolution of the difficulties involved in this field.

We should all be concerned that this principle is apparently no longer accepted and is one that is considered to have failed by those who fought for it most loyally and supported it. I hope we can save this principle. I hope we can make the investigations and get the facts which will enable us to either rewrite the principle or make it work somehow, because I share many of your misgivings.

It has occurred to me as I have listened to the testimony that you can't have comparability and have the guidelines. They are mutually exclusive. We are either going to have one or the other. We can't seem to have both.

If we are to have comparability, we should have it in good times and in bad times. We ought to have it even when there is a tough budgetary situation. So your statement, taken with the statement of Mr. Keating, raises to me some very serious questions for this subcommittee and the Congress to consider.

Two of you have documented in a very strong fashion the inadequacy of the administration's proposal, the injustices to the Federal

employees which have existed over the past few years. The tough question I want to ask you is the one I asked Mr. Keating the other day, and I think you were both in the room.

Conceding as I do most of the points you have made, that the proposed package is inadequate, is unfair, in the realities of the situation, faced as we are with the war in Vietnam and the budgetary pressure, in understanding that next year, if the situation is improved, we will come back and try to really do a job that should be done, are you willing to accept this package as it has been put together?

Mr. HALLBECK. Mr. Chairman, it is true that I participated in conferences with people representing the administration on matters now before this committee. During those conferences it was made very plain that there would be no yielding on the part of the administration from the 3.2-percent guidelines on wages and prices that have been set by the Council of Economic Advisers. Under those circumstances, and fully aware of the political facts of life, we proceeded to develop the best bargain we could within that guideline. I think it can fairly be said that as a result of our discussions the package presented by Mr. Macy was a better package than that originally suggested. However, and on this I still have my working notes, it was expressly understood by those present that (1) we were not bound to accept the effective date of January 1, 1967, and (2) we were not bound to accept the proposed spread of the increases which the administration suggested.

In my prepared statement we have already proposed an immediate effective date, and have further recommended a completely different spread of wage benefits.

We maintain, and I think justly, that given to understand that the guidelines are as sacred as they are reported to be, that the increase of 3.2 percent of payroll allowable under the guidelines should be applied at the point of greatest need. If the committee agrees with this view, then certainly a salary increase of 3 percent in the working grades is readily possible, plus improved health benefits and retirement proposals.

Within that framework there was a substantial agreement. That is not to say that anyone was even reasonably satisfied, but rather that there was a recognition that it was the best that could be done under the circumstances presently existing. I'm sure it would be obvious, but I think it should be stated, that this position is based on the assumption that the guideline would hold.

In the event that it does not hold, and to the extent that higher increases are provided for private industry, then certainly we would expect to be treated equally as well.

Mr. UDALL. I want to commend you and your fine organization for a fine statement and for what you have done. I believe what you have done is not only in the best interest of the country, but in the interest of the members of your organization and the Federal employees generally.

It is easy for a politician—and I guess you people are politicians in a very real sense—to grandstand and make noises, to promise things that you can't deliver, and make futile fights. It is sometimes a lot tougher to do the realistic things which can be done in the circumstances.

We have heard a lot about Vietnam and what we should have done 10 years ago, but we are faced with the problem there and the question for the country now is what do we do in the situation we are in?

There is an old motto of Alcoholics Anonymous, a prayer which says: "Lord, give us the strength to accept the things we can't change, the courage to change the things we can change, and the wisdom to know the difference."

I suspect this would apply somewhat to the situation that you and some of the rest of us find ourselves in this year.

Because there have been some newspaper comments on this package proposal, let me say just two or three things and then I will recognize some of my colleagues. We have heard some talk, and I'm sure we will hear more of it, that this package deal was a sellout, that it was not to the advantage of your employees and all the rest.

It is the judgment of the chairman of this subcommittee who has worked in this field of endeavor for some time that those of you who participated in these discussions drove a pretty hard bargain. The package that has been developed and which I hope will be passed shortly is a far superior result to what would have been achieved for your members and Federal employees if you had taken the attitude I have described.

In the first place, I think there would be a very strong likelihood that we would have had no pay message at all. The administration would have said you go up and get whatever you can out of the Congress, and I think they meant business this year. So we got a message, an early message.

Secondly, I think your negotiations—and I was a party to some of the early conversations that led up to this—pushed the administration considerably beyond what they were prepared to offer when these negotiations began. A number of additional meaningful steps relating to fringe benefits were taken. We have had some real breakthroughs in recent years and you have continued these breakthroughs by putting together this package.

I think your statesmanlike action has made it very likely that we will have early action on the pay bill and an early effective date, far more so than we would have had if we even had a bill at all, which I doubt had this action not been taken.

Finally, I think your action has set the stage for some real constructive action in the future. If this war situation is settled and the budgetary situation improves next year, I don't think there will be a group of people in this country in a stronger moral position than the Federal employees who have gone along in a patriotic, statesmanlike fashion to help the President and this country in this difficult time.

I think you would be in the strongest position to come to the Congress and say, "For 3 or 4 years we fought for comparability and never got it. We were good citizens in 1966 when the squeeze was on, and now, my friends, we are here and we want action and we want justice."

I think you will have a very receptive ear from this member and the other members when that time comes.

While I know your decision was a difficult one, I think you have acted in the best interest of this country and of the Federal employees. As one who doesn't like the package I commend you for helping put it together and for, I think, insuring that it will be enacted promptly.

Mr. HALLBECK. Mr. Chairman, if I could say just one word?

If I had my druthers, as they say, I probably would never have been a part of it. I don't have to tell you that no citizen refuses the request of a President that you discuss something. While the suggestion didn't come directly from the President there was no doubt that he knew what was going on.

Any talk of a sellout is pure nonsense. In any sale you have got to get something. What the hell—pardon my language—what could we get? Plain nonsense.

I want to assume full responsibility. I alone, in this organization, was responsible for that decision. It is my responsibility, not Mr. Nilan's or anyone else. You have to act when the time comes.

Mr. UDALL. You have to take the alternatives as they exist and not as you would hope they might be.

The gentleman from Kansas.

Mr. ELLSWORTH. Thank you very much, Mr. Chairman.

I'm sorry I didn't get here, Mr. Hallbeck, when you made your oral presentation, but I have read your statement thoroughly, and of course, Mr. Nilan, I was here for most of your oral presentation. The reason I was late, I was down at the Rate Subcommittee along with some of my other colleagues on this subcommittee. We haven't figured out yet how to be at two places at the same time.

Mr. HALLBECK. You, too?

Mr. ELLSWORTH. Yes.

Mr. UDALL. I'm surprised; I thought the gentleman from Kansas could do anything.

Mr. ELLSWORTH. I want to compliment both of you on your fine statements and particularly you, Mr. Hallbeck, on your statement as it relates to these guidelines and to the effect of labor and wages on the inflationary situation that we are now confronted with.

As a member of the Joint Economic Committee I have been concerned with the guidelines problem, with the validity of the guidelines as they exist this year, the way they have been computed. It is a problem that you point to in your statement, and I want to second your statement on page 9 where you say, and I quote:

> Labor and wages have not made a net contribution to any inflationary pressures which may exist.

I think that is true. I think the hearings we have had on the Joint Economic Committee have proven that it is true as well as many other hearings and statements that have been made by knowledgeable people.

I also want to second the chairman's statement that he made in his remarks, Chairman Udall, when he said that comparability and guidelines are incompatible with each other, or to put it another way, they are mutually exclusive.

The point that I made when Mr. Macy was up here, to the effect that the law that we are operating under calls for comparability, that is the objective of the law that we are supposed to be operating under. It doesn't say anything about guidelines. And we are a long way from bumping into any guidelines as far as wages of Federal employees are concerned.

So I do want to compliment you on your very fine statement and your staff on helping you prepare it, and on your presentation. It is a powerful statement.

I want to say again today, Mr. Chairman, I hope that we can get moving on this review of the comparability setup, either by ourselves or together with the Senate committee, whatever can be worked out.

I want to say to you, Mr. Hallbeck, that you can certainly count on this member of the subcommittee and of the Congress to fight for an early effective date, an immediate effective date, as immediate as we can get for this pay increase.

Finally, I want to tell you how much I and many, many, many of my friends here in the Congress as well as my constituents appreciate your leadership in taking the responsible position that you have on this package. I think that certainly in the statement you have made in response to Chairman Udall's question, you have demonstrated the two qualities of leadership in behalf of your organization that everybody recognizes are essential, and that is intelligence, No. 1, and No. 2, courage.

I appreciate it, and many, many, many of my friends do, and we will not forget it. You can be sure of that.

Mr. HALLBECK. Thank you, Mr. Ellsworth.

Mr. ELLSWORTH. Thank you, Mr. Chairman.

Mr. UDALL. Mr. Olsen.

Mr. OLSEN. Thank you, Mr. Chairman.

I want to congratulate Mr. Hallbeck and Mr. Nilan on excellent statements. I share with both of you your belief that there wouldn't have been any recommendation for a pay increase from the President at all except that you have come to some understanding about the top ceiling on what the President might recommend. I think I share the feeling of the chairman and of yourselves that you could struggle all year for a much higher percentage and you wouldn't end up with anything better. I share that feeling because of the history of last year's bill. When it got into the Senate it was sabotaged, and I think that efforts higher than those recommended by the President might very well be sabotaged again this year in the other body.

I am saying this publicly, because I think there ought to be some work done on some politicians around this Hill, certainly in this great election year, so that we are not repeatedly up against the proposition of the other body refusing to consider any pay bill at all until after they see what we do over here, and then going to work to cut it up.

I congratulate you again on your statements and on your courage. You particularly, Mr. Hallbeck, for taking the responsibility of having had to respond to the invitation of the President and talking this subject over and hitting some kind of agreement so that it could come to the Hill.

But now I want to make a statement about my own position on this particular bill. I think that it is an attempt to amend the rules of this committee, and we only adopted them on the 26th of February of last year, in an attempt to force the administration to talk with more than just one member of the committee. The administration would only talk to one or two members of the committee, and the rest of us didn't count for anything at all.

Now I think I could have elected to go on some other committee where more members are talked to, but it was my understanding that we were going to live by these rules that we adopted last February, and I think that we should live by the rules.

I agree with Mr. Nilan's view that things that are in the jurisdiction of the Subcommittee on Retirement Insurance and Health Benefits should have a separate hearing before that subcommittee and that indeed we should have separate bills. The pay bill, the compensation bill, ought to be one thing, and of course it could take into consideration the things immediately concerned with compensation, such as overtime and hours of work, but I think that those things that are under the jurisdiction of the Subcommittee on Retirement, Insurance, and Health Benefits ought to stay there. If the administration wants the rules of the committee amended, the administration ought to come to the whole committee and have a hearing on the question of changing the rules and not come in and attempt to dictate, absolutely dictate, a change in the rules by offering this particular bill.

I for one am not in favor of considering anything but compensation and overtime and fringe benefits directly related to pay in the bill, and think we should take up retirement and health insurance and life insurance in separate legislation.

Thank you, Mr. Chairman.

Mr. UDALL. Mr. Daniels?

Mr. DANIELS. I, too, wish to join with my colleagues and congratulate you and Mr. Nilan for a wonderful statesmanlike presentation here this morning and also for the position that you have taken on this package that has been sent up here to the Hill by the administration.

I note in your statement, Mr. Hallbeck, that you consider it most important and pressing that there be an immediate study made of the 1962 Salary Reform Act. You stated that the principle of comparability had to be put asleep or put in a deep freeze.

I am sure that you approve of the principle of comparability but you meant to say by that statement that it isn't working, that something else today has not been substituted for it. I think that this committee should make a very comprehensive study of that Salary Reform Act of 1962, and the Government, which has a moral obligation to abide by the law, should carry out the principle that was adopted 4 years ago or abandon it. We know what their position is.

We had to accept one principle in that year because the position then would be favorable and then 2 or 3 years later abandon it. So I'm glad that you forcibly brought that out this morning.

Mr. HALLBECK. I thoroughly agree with you, Mr. Daniels. Comparability can work, but the truth is it has not been allowed to. The truth is that the bill that was enacted was a fine start. I think in the light of the experience we have had over the past 4 years, it can be greatly improved upon, that it could be made the kind of a vehicle that the chairman and others in this committee have referred to in the past that might take wages out of the political football field.

I think it can be made into that, but it isn't that right now. It hasn't been allowed to work.

Mr. DANIELS. Well, I for one introduced a pay bill this year. I am one of the members who thought that our Federal employees had been sadly neglected, that comparability had not been achieved, that our Federal employees are far behind what such employees would be paid if they were working for private industry, and that if it is not 7 percent it is pretty close to that.

It is unfortunate that we do have this international situation on our hands. I know everybody wants to be patriotic and do their bit to help their country, and you are to be commended for the position that you have taken. Mr. Keating and his organization are to be complimented for the position they have also taken.

I am sure that if you come before us next year, let's hope that the Vietnam situation is over, we will give this a good hard look and see that you are brought up close to comparability, as close as you possibly can be in one full step.

Mr. HALLBECK. Thank you, Mr. Daniels.

Mr. DANIELS. Now, Mr. Nilan, in your statement you make reference to the fringe benefits that are included in this package, and you support the recommendation made by the administration of optional retirement after 30 years of service upon attainment of the age of 55.

But you did not make mention or comment upon the other proposal which was made a condition of that proposition that the Federal Government shall have the option also of—it is referred to as involuntary retirement of those employees at a level 13 and above. Do you care to make any statement on that?

Mr. NILAN. Well, I will make this statement: At the present time at least it doesn't directly affect our people. That is point 1. If it were affecting our people, that is the people we basically represent, the rank-and-file employees, I'm sure the committee would hear a very strong and aggressive statement opposing this proposition from our union.

Secondly, I'm not enthused about granting management the unilateral prerogative of retiring people at management's discretion in principle, without some appeal or protection for the people that are concerned. I cannot be enthused about that particular part of the proposal, and therefore this is the reason why I did not comment on it.

Mr. DANIELS. Well, I would like to comment on it at this time. because I think I was incorrectly—my position was incorrectly reported in the newspapers, and I will read it. It appeared in one of the local newspapers, in which I am supposed to have said:

> This involuntary retirement power was needed by the Government as a good management aid in order to get rid of employees who have passed their peak.

I happen to have before me a stenographic copy of the testimony taken on that day, and I never made any such statement. All I said to Mr. Murphy, after he said why he thought management needed this for grade 13 and above, was:

> Mr. Murphy, I don't disagree with your views, I am inclined to agree with you. I want you to know I want to know the thinking behind that statement because it was not amplified.

Now, I might say that since that comment was made, I have given serious thought to that and I am reappraising my own thinking on it. Only this morning I received a letter from a Federal employee stating that she had taken the competitive examination. She came out No. 1, but she is now being asked to retire because of age.

I think this committee should give very very serious consideration to this condition, when it is attached to the 30-year optional retirement

principle set down in this package. I just wanted to make that comment.

I think if the civil service system is a merit system, why we should keep it in proper focus, proper prospective, and if it is going to be a merit system it should be a merit system. But we don't want anything to be included in any legislation which we adopt to make that merit system a political football.

Mr. NILAN. The thing that concerns us, if I may just add this, Mr. Chairman, is that what is being done to someone else today can be done to us tomorrow. This is why I expressed my feeling on the involuntary retirement proposal.

Mr. UDALL. The gentleman's time has expired.

The gentleman from Hawaii.

Mr. MATSUNAGA. I would like to join in commending the gentlemen, Mr. Hallbeck and Mr. Nilan, for their excellent testimony this morning. If the administration could have as good lobbyists, so to speak, as the unions have had—including the testimony we had yesterday—we might even have a more difficult time trying to interpret what to do here.

I was very much impressed by your statement, Mr. Hallbeck, relative to the watering down of the share of labor in any percentage increase. I am inclined to agree with you 100 percent, except that I am not too sure as to how the guideline is applied in industry; private industry, that is. If you take the guideline of 3.2 percent, are you saying that this is not applied at all to the management-level employees in private industry?

Mr. HALLBECK. Unions don't negotiate for management employees. Unions in their negotiations are negotiating for workers, and the 3.2 applies to the group that they are negotiating for.

Management has always been outside of that. I will admit that there have been cases where management has probably been given comparable increases.

Mr. MATSUNAGA. How is the guideline applied? You take 3.2 percent, is that 3.2 percent of the total payroll, and in private industry they exclude the payroll of the management group?

Mr. HALLBECK. Surely.

Mr. MATSUNAGA. You are certain about this?

Mr. HALLBECK. Our economist tells me that is correct.

Mr. MATSUNAGA. Well, then, you are absolutely correct.

By application to the management group, in Federal service, we are watering down your worker's group.

Mr. HALLBECK. That is right. There are several inconsistencies that don't work the same way, but that is one of the more glaring ones. We are neither fish nor fowl to be absolutely honest. It seems that all the breaks are bad breaks.

Mr. MATSUNAGA. You will go along with Mr. Keating, who suggested yesterday that we go across the board with the increase rather than have the smaller dollar increases at the lower level, as is proposed?

Mr. HALLBECK. Yes.

Mr. MATSUNAGA. Would you go along with the idea further that we have the greatest percentages down at the lower levels so that the dollar increases would be as great at the lower level than at the management level?

Mr. HALLBECK. Yes. As a matter of fact, for years legislation dealing with wages in Government, when enacted, provided what we used to call flat dollar increase, $300 flat increase. The argument was that that distorted pay schedules. The truth is that they maintained exactly the same ratios between the worker and the management at all times.

Percentagewise it could be said to have worked to the advantage of the worker. Actually, dollarwise, they were in exactly the same position as a result of flat increases. We believed in it. It wasn't at our insistence or with our support that the change was made from the flat dollar to the percentage increase, so the answer to your question, as originally posed, would be yes, we would prefer the flat dollar.

Mr. MATSUNAGA. So that——

Mr. HALLBECK. This is a case of need. There is a much greater dollar need at the lower levels, measured in terms of bread and meat and clothes.

The fellow at the bottom of the ladder is the one that needs it.

Mr. MATSUNAGA. So when we have a limited amount of dollars to distribute, you would agree that the dollars should be spread out at the lower level?

Mr. HALLBECK. Where they are needed the most.

Mr. MATSUNAGA. Thank you.

Mr. UDALL. The gentleman from New Jersey.

Mr. KREBS. Thank you, Mr. Chairman. I, too, want to join my colleagues and commend you, Mr. Hallbeck, and you, Mr. Nilan, for your well-prepared presentation.

I want to say, too, and I say this I hope in the constructive sense, I really hope that this committee doesn't get itself into the position of certain members being accused of having labels stuck on them if they happen to be dissenters.

I think we had a recent experience in Washington, going back 10 years or so, where people who honestly disagreed with the popular notion were intimidated into abandoning their intellectual honesty and independence. I want to say that I am one who disagrees with this proposal, and I restate that at the risk of having a label stuck on me. I hope I don't, but if I do, then I am willing to submit for the label.

I think there is room for honest disagreement with this proposal, and I believe that in all of your formal presentations, in Mr. Keating's and yours, and Mr. Nilan's, the basic facts were set forth that I can subscribe to. I am not going to burden the record further than to say that my position today is as it was on Wednesday, that as it was on Tuesday, and is as it was on Monday.

In the absence of any more substantial evidence to the contrary, I am unlikely to change my feeling about it. I say that because I genuinely feel that way and not because I find that it is easier to take a popular position and act irresponsibly.

I want to say, too, that some of the points you made are important. One of them is comparability. I made a proposal to Mr. Macy on Monday, that I would write a bill abolishing comparability, amending Public Law 793, and I asked him if he would support it, because I agree with you, that comparability has been a shame as far as I can ascertain. Either this ought to be our public pay policy, or it ought not be. And if it is, we ought to respect it and honor it and abide by

it; and if it isn't, we ought to be courageous enough to say that we have changed our minds.

I want to compliment you in saying that it is like a muscle that has atrophied for lack of use. If it is going to continue that way, it might very well be stricken from the law because it is just fooling people. I think it is like a muscle that is atrophied.

I want to say, too, that the percentage of employees that are on the Federal payroll is about 3.4 percent of all the people working for a living in the United States today. While you have got voluntary controls or voluntary suggested controls, on large and overwhelming sectors of our economy, and compulsory controls on 3.4 percent of the people working in this country, I honestly don't see how it is going to have any effect on warding off inflation. I certainly don't see how you can put controls on 3.4 percent of the working people in this country, and not put them on corporate profit. As witness after witness has testified, the profits of American corporations are sky high and so are the dividends to some stockholders. If we really have a threat, then I think we are all patriotic. If we have a threat to our economy, then let's appraise it and take the proper steps and write the right prescription.

That, in my opinion, comprises writing the right restraints on our economy.

I also fail to see—you pointed out that medical care insurance has gone up 19 percent, from 1960 to 1964, and that hospital care has gone up, and I didn't get the percentage. But you also said that patient stay in hospitals was up 89 percent in the like period.

I want to ask you something. I hear and I have heard for a long time when the insurance companies buy Blue Cross and Blue Shield and the other ones are looking for rate increases they say this is brought about because the patients stay in the hospitals longer than they should.

I want to ask you if you know any patient that stays in the hospital or has himself admitted in the hospital, or is this the responsibility of doctors?

Mr. NILAN. I certainly agree that it is the complete responsibility of the doctors. But the statement we make has been taken from the civil service records. The increase up to 7.7 days length of stay from 7.6 days is an insignificant change.

Mr. KREBS. All I am saying is that it is a shame that that has been used by the people seeking increases in rates. They blame it on the patients; they say the sick patient decided to come in a week before he should have, and we tried to chase him out. This is sheer nonsense.

Mr. HALLBECK. It certainly is. In some parts of the country there is a waiting list to get in the hospital. They get you up so fast nowadays that you are not even well when you get out. It is not the patients' fault.

Mr. OLSEN. You are supposed to get well walking around.

Mr. HALLBECK. I know.

Mr. KREBS. Let me ask you this: Do you think that if this package included a $5,000 or $10,000 increase in the benefits, that this increase would be inflationary? You can ask your economist if you want to get a professional opinion on the record.

Mr. UDALL. I don't think that he needs an economist for that.

Mr. HALLBECK. No.

Mr. KREBS. I just wanted to have both sides on the record.

Let me ask you this: There are some statements make in this hearing—Mr. Murphy said on Tuesday in his formal testimony that they compared the work in the Post Office Department with continuous process industries. Do you think the Post Office Department is continuous process industry?

Mr. HALLBECK. In the sense that it operates around the clock. The entire postal service does. Most post offices don't operate as a continual process.

Mr. KREBS. In other words, I asked some questions, I try to buy postage stamps occasionally when I close my office on Saturdays in my district, and it is in the biggest city in the State, 12 o'clock Saturday you can't buy a stamp. The windows close. You can't send a registered letter, the windows are closed. The frequency of collection from boxes on the street is reduced on Saturday. There is one in the morning and one in the afternoon on Sundays. This is in an area of a million population.

I pointed out that I had to go to New York City one Saturday afternoon to send a registered letter. It is hard for me to believe that this is truly a continuous operation industry when these services are not available and the workers are not working on Saturday or Sunday, or during the night. Continuous service industry, in my judgment, is like a hospital, where you have got doctors and nurses and all the services available 24 hours a day, 7 days a week, or like the police department or the fire department or industries that might be working. The railroad is 7 day. But even that is curtailed somewhat.

But by and large, can you find any stretch of the imagination that would allow you to fit the post office in the continuous operation industry?

Mr. HALLBECK. No, sir.

Mr. NILAN. If I may just comment, you are extremely fortunate in your area if you have two collections of mail on Sundays.

Mr. KREBS. Maybe I shouldn't have said it.

Mr. NILAN. The ones that I am familiar with, they are lucky if they have one around 3:30 or 4 in the afternoon and one on Sunday. You are lucky if you get one in the afternoon of every day.

Plus the transportation reductions on weekends and holidays. Our mobile clerks that are on the road have found in recent years that their RPO and HPO service routes have been reduced substantially, in some instances eliminated on Saturday and Sunday both. So even the railroad transportation of mail drops off. This is strictly by the arbitrary decision of the Post Office Department. So it is not a continuous operation, as indicated by the Post Office Department.

Mr. KREBS. Another point was made in Mr. Murphy's testimony. He felt that it was proper to compare post office workers with nonproductive workers. That is what the caption of his chart and his testimony is. Maybe I am wrong, but I have had some experience in this field and it has been my understanding for 30 years, that generally there are three classifications of workers: There are professional people; there are white-collar workers; and blue-collar workers.

From what I have seen around the post office, since I am a Member of Congress and a member of the committee, I have a license to take a short cut through the back entrance of the post office to go up to my office, and I don't see many people who have white collars or clean hands in the post office.

I want to know what your concept is.

Mr. HALLBECK. In my statement I said you will look a long while to find a white-collar worker with which we are compared. We are blue collar, and we would be properly classified as blue collar. The very few white collars that you might find would be up at a service window, and even now the uniform service, the blue shirt, if you have got a collar on it is a blue collar.

Mr. KREBS. One last fast point.

Mr. Keating, in his testimony on Wednesday, made the point that a streetsweeper in Oakland, Calif., made more money than a letter carrier. Do you have any examples that are more dramatic than that?

Mr. HALLBECK. There are examples. But certainly there are a lot.

Mr. KREBS. The point I want in the record—is this an isolated case that was dug up.

Mr. HALLBECK. Not at all. We can't hire people on the west coast because of the competition in every area.

Mr. KREBS. I have no further questions. Thank you.

Mr. UDALL. Thank you, gentlemen, for being with us this morning. We appreciate your testimony.

The next witness is Mr. Sidney A. Goodman, accompanied by our friend, David Silvergleid, who is the secretary.

Mr. GOODMAN. Accompanied by Mr. Edward Bowley.

Mr. UDALL. We are happy to have him.

STATEMENT OF SIDNEY A. GOODMAN, PRESIDENT, NATIONAL POSTAL UNION; ACCOMPANIED BY DAVID SILVERGLEID, SECRETARY-TREASURER, AND EDWARD BOWLEY

Mr. GOODMAN. Dispensing with the formalities, the administration has proposed a new approach in terms of "gross compensation" which includes not only salary increases, but so-called fringe benefits, and has made specific proposals with regard to minor improvements in retirement and health premiums.

Ordinarily, each of these major legislative items would come under consideration by separate subcommittees and as such would be much more likely to receive the comprehensive consideration which their importance individually warrants.

This is true irrespective of the merits that may be claimed for the package approach. On page 6 of the report to the President by the Cabinet Committee on Federal Staff Retirement Systems, dated March 8, 1966, appears some very enlightening and frank observations on the limitations of the "package" approach to the whole question of comparability. It calls into serious question the validity of the administration's present approach.

I will not burden the committee by reading it.

Mr. UDALL. Without objection, the entire statement of Mr. Goodman will appear in the record at this point.

(The full text of Mr. Goodman's statement follows:)

PREPARED STATEMENT OF SIDNEY A. GOODMAN, PRESIDENT, NATIONAL POSTAL UNION

Mr. Chairman, and members of the subcommittee, my name is Sidney A. Goodman, and I am privileged to serve as president of National Postal Union, located at 509 14th Street NW., Washington, D.C. I am accompanied here by our secretary-treasurer, David Silvergleid. We represent 60,000 postal employees, organized in excess of 500 local affiliates in 50 States, including Puerto Rico and the District of Columbia.

The administration has proposed a new approach in terms of "gross compensation" which includes not only salary increases, but so-called fringe benefits, and has made specific proposals with regard to minor improvements in retirement and health premiums. Ordinarily, each of these major legislative items would come under consideration by separate subcommittees and as such would be much more likely to receive the comprehensive consideration which their importance individually warrants. This is true irrespective of the merits that may be claimed for the "package" approach. On page 6 of the report to the President by the Cabinet Committee on Federal Staff Retirement Systems, dated March 8, 1966, appears some very enlightening and frank observations on the limitations of the "package" approach to the whole question of comparability. It calls into serious question the validity of the administration's present approach. It reads as follows:

"Benefit levels, and methods of determining those levels, are matters of continuing concern to beneficiaries of the retirement systems and to Government. Government is committed to the principle of pay comparability for civilians and to an equitable relationship between civilian and military pay. We must, when it becomes possible, extend this principle to encompass comparability of total compensation, including retirement and other fringe benefits. But reliable (or even usable) data on fringe benefits prove extraordinarily difficult to pin down, and such data as have been obtained are in terms of employer costs rather than of benefits received, which is what is important to those being compensated. Another difficulty is that the comparability principle promises, in theory, at least, comparable compensation for comparable responsibilities. Special conditions, however (e.g., combat duty in the case of the military, conflict-of-interest requirements, restrictions on off-the-job conduct and activities, inability to strike), limit the extent to which Federal service, and its compensation can be considered comparable to that of private industry. Perhaps the comparability principle is, for now and until more valid data are obtainable, best applied only to the major elements of compensation, leaving the others to find their own levels in a way that hopefully will result in a reasonable, if not exact, overall balance."

We support H.R. 10294, although we feel that the 7-percent increase recommended will still leave postal employees behind. This legislation is once again the test of good faith in terms of Congress' pledge of comparability as embodied in Public Law 87-793. I want to congratulate Congressman Olsen for his bill in this regard.

In the 1st session of the 89th Congress, National Postal Union testified three times on pay at length with special emphasis on the gap in comparability, introducing considerable statistical data. In view of extended testimony on this aspect taken previously, we are dispensing with this approach at this time. The gap continues and the situation remains basically unchanged from the standpoint of employees.

It should be remembered that in the last session, the House passed a bill providing a 4½-percent increase and that this was reduced to 4 percent in the final stages of the last session of Congress only in order to meet the administration's insistence on a smaller percentage. The Senate then reduced this to 3.6 percent and the House accepted this only because it believed there was no realistic alternative. The Congressional Record is replete with ample evidence of the indignation of the House at the veto threat and the failure of the administration to meet its pledge of comparability.

Considering what employees have already lost by the failure to achieve comparability since October 1962, and in view of what they are entitled to on this score, projected on a current basis, postal employees in levels 1 to 6 are certainly entitled to a minimum of the 7-percent increase recommended and effective January 1, 1966, not 1967.

It should be noted that when Congress pledged comparability in October 1962, with passage of Public Law 87-793, this was geared to salary alone and the introduction of the "package" concept at this time has a tendency to blur congressional commitments on this single item.

The administration proposes a 2.5-percent salary increase for postal employees, which is referred to by the Director of the Budget as a 2.85 percent "average" increase, based presumably on considering the impact of the wages on employees covered under the postal field schedule and the general service schedule. According to our computation, postal employees in step 4, level 4, a median normally used, would actually get slightly less than 2.4 percent, based on the figures provided in the "Joint Annual Report," dated March 3, 1966, submitted to the President by the Director, Bureau of the Budget, and the Chairman, U.S. Civil Service Commission.

The administration has placed the heaviest possible emphasis on the question of not exceeding so-called wage guidelines in order to avoid the threat of inflation. Certainly we all have a responsibility in this respect. However, we support the views of the distinguished member of this committee, who in questioning a Department spokesman, pointed out the disparity in the views of the administration with respect to wage guidelines, as against the total lack of guidelines with respect to corporation profits. As was pointed out, the net profits after taxes of such corporations as Ford and General Motors, averaging 60 to 65 percent in recent quarterly reports, constitutes a far greater threat of inflation, in our opinion, than granting deserved and long overdue salary increases to Government employees. The corporation profits referred to, unlike wages, which bolster a viable economy, are utilized for reinvestment, which in turn increases production without any assurance that it will be accompanied by any balancing increase in purchasing power. Yet this aspect is ignored by the administration.

In a recent statement before the congressional Joint Committee on Economics, Mr. Arthur M. Ross, Commissioner, Bureau of Labor Statistics, asserted that "outside" increases substantially exceeded the 3.1-percent guideline as follows:

Steel wages increased by 4.2 percent.

Office clerical workers increases, 3.4 percent.

Manufacturing industry increases, which are below 2.8 percent.

Construction industry increases, 4.1 percent.

In testifying before this committee on March 7, the Chairman of the U.S. Civil Service Commission, in responding to questions by a member of this committee, conceded a gap of at least 21 months from the period on which the most recent Bureau or Labor Statistics' report utilized by the administration were taken, until the effective date recommended for salary increases—namely, January 1, 1967. Further, this leaves completely out of account the fact that irrespective of substantial increases which could take place between the 1st and 12th month during which a given BLS report is binding, such increases could only be reflected in subsequent BLS reports.

Let's take a look at exactly what the administration proposes in terms of increases in actual take-home pay for employees, utilizing step 4, level 4, as a median of "pay line." Under it, salary would be increased from $5,694 to $5,830, or nominally $136 per annum. The proposed biweekly increase would amount to $5.23. From the standpoint of take-home pay, this would be decreased by the additional ½ percent increase in retirement deduction as proposed, which would amount to $1.46 biweekly, leaving a net gross increase in take-home pay of $3.77 biweekly. The difference in increased Federal taxes would cost the employee 73 cents biweekly. Thus the net increase in pay biweekly would be $3.04, which would amount to the munificent sum of $1.52 per week. Let us also remember that for employees in levels 1, 2, and 3 of the postal field service, the ones that need it the most, it would be substantially less. Is this the bold look of the Great Society? And is this being put forth seriously by its sponsors as a meaningful, dynamic program of economic redress?

The administration places great stress on productivity as a major aspect in its salary guidelines. The $1.52 a week would amount to 0.0037 percent of gross annual salary in the median step and level. In the Annual Report of the Postmaster General 1965, it states:

> During postal fiscal year 1965, workload in all WMS installations increased 4.8 percent over postal fiscal year 1964 versus a 2.9-percent increase in total clerk-mail handler workhours.

This means that there was an actual net increase in productivity of 1.9 percent in which employers were the decisive factor. In actual practice, they have been entirely dependent on the degree to which employees in outside industry are able to translate increases in productivity into increased wages under their respective employment contracts. We assert that the comparability pledge, should be the floor and that to it should be added this increased productivity of postal employees, amounting currently to 1.9 percent.

The administration stands in firm opposition to an increase in premium pay for Saturday, Sunday, and holiday work. It contends that this is not a sufficiently general practice in the private sector so as to warrant having this reflected in the pay bills under consideration. In so doing, statistical reference was made to conditions prevailing in supposedly comparable outside industry. On questioning however, the Department spokesman conceded that the figures cited covered white-collar workers. In further questioning, he conceded that postal employees were not only not white-collar workers generally, but were in fact unique, and not literally comparable to outside positions. Thus the Department's views were shown to be basically irrelevant, and therefore invalid. We assert that if the Department and the administration are truly concerned with assuming full responsibility for establishing a sound and progressive salary structure for postal and Federal employees, they will support the provisions of H.R. 10294 and related bills, which call for payment of time and one-half for Saturdays, and double time for Sundays and holidays. We urge the committee to act forthrightly in this area.

The spokesman for the Department, in opposing payment of overtime rates for substitutes for work in excess of 8 hours, made reference to the fact that only 29 million out of 69 million outside employees are subject to the Fair Labor Standards Act, although admittedly this is required for outside employees by other legislation, such as the Walsh-Healey Act. As was pointed out by a distinguished member of this committee, this reference of course includes only employees engaged in interstate commerce, and totally ignores a much larger number employed intrastate who do have equivalent protection. Actually, as the Department spokesman himself conceded, "of 400 contracts reviewed by the Bureau of National Affairs, 90 percent specified time and one-half for overtime, after 8 hours in 1 day." The implication is very clear. Postal substitutes, just as regulars, should be entitled to be paid time and one-half for all work performed in excess of 8 hours a day.

Because of this inequity, we have had numerous problems having to do with the opportunity for overtime given substitutes as against regular employees. The Department's own instructions provided for generally giving equal opportunity. Nevertheless, in practice, substitutes, although in excess of 40 hours a week and thus on overtime, have repeatedly been given greater opportunity for overtime in many offices, although there is no savings to the Department. This happens because supervisors tend to hold substitutes for overtime rather than regulars because of the possibility that a given substitute may not have reached 40 hours in a given workweek, and thus theoretically may be utilized at straight time, resulting in a so-called economy.

In large offices, it is virtually impossible to keep a sufficiently accurate accounting of hours so as to enable a supervisor to know at any given moment what given substitute will be on actual overtime. The result has been confusion, and a great deal of unnecessary resentment caused, with no gain in efficiency whatsoever. We urge in the strongest possible terms that substitutes be paid overtime for all work in excess of 8 hours a day as a matter of simple equity.

One aspect of the Department's application of the recent pay law, Public Law 89-301, requires mention. Under the authority vested in the Postmaster General, a workweek beginning at 12:01 a.m. Saturday, and ending 12 midnight Friday was established. It should be noted that this covers substitutes who are defined under the same law as employees with no regular work schedule. Under departmental instructions, substitutes who work past midnight on Fridays, arbitrarily had their tour terminated at 12 midnight for pay purposes only, and were required to hit a new timecard at 12:01 a.m. Saturday.

Thousands of substitute employees who continue to work several hours past midnight Friday had these hours counted as part of a new workweek. The result was to deny these employees who may have worked 40 hours by 12 midnight on Fridays—overtime rates for work performed on Saturday a.m. as part of a continuous tour which begins on Friday, the night previous. In effect, since November 6, 1965, we are happy to note that recent Department instructions appear to have eliminated this injustice.

There is a special aspect for regulars, too. The Department has deliberately encouraged establishment of tours on Saturday and Sunday nights different from reporting time the other days in the week in order to avoid payment of Sunday differential. This means a regular report 4 days a week at one hour and on Saturday or Sunday, at a completely different hour.

The Department also proposes an extension from 12 to 15 hours as the maximum hours "during which an employee may be worked or available to work, retaining the current requirement that no employee shall be employed more than 12 hours in

1 day." We flatly and strongly oppose this proposal. The Department's spokesman referred to the need for utilizing employees in small offices at peak periods from 6 to 8 a.m. and then from 5 to 8 p.m. on that same day. This is reminiscent of "split shifts" which have not been seen on the American labor scene since the depression of the 1930's. Citing the Department's needs in such terms is a sad commentary on the extent to which acceptance of modern personnel practices has yet to permeate the Department.

This proposal, and the resistance to overtime rates for substitutes for work in excess of 8 hours a day, are based largely on the Department's contention that the substitutes constitute a unique category. They do indeed, Mr. Chairman, but does the Department think that by claiming a so-called special need, it thereby assumes the right to create a subhuman category which becomes completely expendable? It was this kind of approach which led to a protest demonstration here in Washington in the early 1930's in which subs carried signs saying, "Mr. Farley, can you live on $6 a week?" As we have emphasized in previous testimony, Mr. Chairman, is a substitute less a human being, a father, a citizen, a breadwinner, less subject to physical strain and less vulnerable to fiscal pressures because the Department rhetorically has dubbed them "on call" employees? Is there any comparable outside industry that would dare to attempt to create a special category of employees which by definition became less entitled to proper working conditions and standards? I think not, Mr. Chairman, and I urge that this committee reject this philosophy in its entirety. It is long since time that the Post Office Department stopped demanding special privileges and accepted the same responsibility as do outside employers in this connection, particularly since it frequently refers to outside conditions when discussing other phases of its proposals.

In considering increases for postal employees, some aspects not directly connected with salary as such, but which bear directly on the question of the status of postal workers should be considered. The administration salary recommendations must be evaluated in terms of continuing personnel policies which tend to undermine the status of major categories of employees. This is underscored by the continuing difficulty encountered by the Department in attempting to attract badly needed additional personnel. As an example, I submit a copy of the Department's regional letter, marked "Exhibit A," dated January 17, 1966, an open acknowledgment of this problem. I call to your attention, Mr. Chairman, another aspect; the increasing tendency to fragment and parcel out essential aspects of the duties of distribution clerk and letter carriers to various kinds of temporary employees. This type of development has a serious adverse affect on morale and while morale may be an intangible from the standpoint of statistical reports, it is ultimately the most decisive factor from the standpoint of improving real efficiency. At this point, Mr. Chairman, I ask permsission to insert into the record, exhibit B, a copy of a letter from me to the Postmaster General, dated March 2, 1966.

In this same vein, I request permission to submit for the record exhibit C, a letter on this same subject, also dated March 2, 1966, addressed to Mr. John W. Macy, Jr., Chairman, U.S. Civil Service Commission.

The whole question of Government contributions to health premiums has become an increasingly vital issue. Repeated increases in the cost of premiums under the Health Benefits Act of 1959, has, in effect, resulted in an annual wage cut for postal employees. This means that in a relative sense, the wage status of postal employees has up until now steadily deteriorated in a major area. We appreciate the fact that the administration has taken cognizance of the fact that there have been no increases in Government contributions since the Health Benefits Act became effective in July 1960. Its recommendation, however, for what amounts to a 25-cent-per-week increase in its contribution, beginning January 1967, with another 25 cents to be added, effective January 1, 1968, falls far short. I take the liberty of submitting a communication, marked "Exhibit D," I sent the Honorable Dominick V. Daniels, the distinguished chairman of the House Subcommittee on Retirement, Insurance, and Health Benefits, dated January 26, 1966, which sets forth our position with respect to the need for an increase in Government contributions to employee health premiums. It is a most serious problem and I urge that the most positive and liberal action be taken.

We commend the administration's recommendations to establish optional retirement at age 60 with 20 years of service and to assure a minimum annuity for disability retirement, amounting to not less than the amount an employee in outside industry could obtain under social security. It must be recognized, however, that these are essentially peripheral and do not touch the heart of the need

for basic improvements in retirement benefits. In this connection, we note that there is not even mention of support of the administration-blocked proposal in the last session which would have increased annuities for survivors and dependents from 55 to 60 percent, a modest 5-percent increase. We do not think that the administration's proposed improvements on retirement begin to go far enough. National Postal Union's retirement program, as adopted by various national conventions, is as follows:

1. Elimination of the 1-percent deduction per annum between the ages 55-60.
2. All annuities to be tax exempt. Elimination of all deductions assessed for the privilege of selection of widows' and dependents' annuities.
3. Optional retirement after 25 years of service, regardless of age, based upon 2½ percent of the highest 1 year of service multiplied by the number of years of service, not to exceed 100 percent of the salary.
4. No increase in the present 6½-percent deduction of the employee's basic salary.
5. Extend all benefits to former employees now on the retirement rolls.
6. All salary increases enacted be immediately reflected in retirement benefits to all annuitants.
7. That the Government appropriate such sums as may be necessary to assure that Government contributions will have equaled employee contributions since the inception of the act in 1920.
8. That the proviso of 5 years of civilian service for survivors benefits under the death claim be changed to read: "Immediately upon becoming a member of the Civil Service Retirement Fund."
9. When a wife or husband for whom the survivor's annuity election was made predeceases the employee, the employee's annuity be automatically restored to the full amount.

We assert that above all, action is long overdue to provide for full retirement benefits with 30 years of service, regardless of age, and without any increase in cost for employees. We also urge the committee to act favorably on other aspects of the retirement program as just enunciated.

On February 16, 1966, National Postal Union testified in strong support of H.R. 11879, introduced by Congressman Dominick V. Daniels, which would improve Federal group life insurance. Our comments covered 10 pages and we deliberately confine our remarks to a summary. We urged three amendments. First, that all eligibles, regardless of title or level, be assured a minimum of $10,000 coverage. Secondly, that present provisions which provide for a reduction in the face value at age 65, unless the employee remains in the service, be canceled, in its entirety, with the full face value retained. Thirdly, that there be no increase in cost to employees.

The distinguished Chairman of the Civil Service Commission in testifying on this subject, has indicated support only with respect to authorizing an increase to a maximum of $30,000 insurance. This would apply only for higher level employees, based on the formula presently used. Obviously, life insurance benefits accrue to the survivor and/or dependents of an employee, not the employee himself, in addition to annuities paid to such survivors and dependents. In the case of life insurance, however, an increase to a maximum of $30,000 without any increase in the face value for lower level employees would be an injustice. The survivors and dependents of higher level employees should not be invested with five of six times the need and right of lower paid employees without assuring such employees a reasonable minimum such as $10,000. Indeed, it is obvious that the survivors and dependents of lower level employees, especially in the case where there are young children, have had much less an opportunity to shore themselves up against the vicissitudes of life. As I stated in my previous testimony, Mr. Chairman, there should be no such aristocracy in death.

On this subject, I would like to bring to the attention of this committee another aspect. On December 2, 1965, a communication from the U.S. Civil Service Commission invited comment on a proposed amendment to the Federal employees group life insurance regulations which would limit free coverage while in nonpay status to a total of 12 months, unless the employee returned to pay status for the purpose of performing substantial service. We strongly oppose such a retrogressive change. Included in those who would be adversely affected by any such change are national officers of employee organizations, including National Postal Union. Mr. Chairman, I submit for the record, copies of the Commission's proposals and our views, as transmitted to Mr. Andrew E. Ruddock, Director, Bureau of Retirement Insurance, U.S. Civil Service Commission, that same day, December 2, 1965 (exhibit E). I also submit a copy of a letter to Congressman

Dominick V. Daniels, dated February 28, 1966, bearing on this same subject (exhibit F).

One more thought before closing, Mr. Chairman. Department testimony included a listing of advances made which has moved the Department from the ranks of the not-so-good employers to the ranks of the progressive employers. I suppose that the Department bases its claim on the fact that everything can be claimed to be relative. I am bemused that the Department referred to itself, albeit retroactively of course, as a not-so-good employer.

In evaluating the advances however, we should not lose sight of the total picture. If the Department were a truly progressive employer, it would now be strongly supporting not only the bill by Representative Krebs, the Dulski amendment, restoration of the cut in cost of living allowances in Puerto Rico and the Virgin Islands, an increase in per diem for mobile unit employees, and a work clothing allowance for mail handlers, maintenance, and motor vehicle employees in particular, among other things.

I want to express my deep appreciation to the distinguished chairman and members of this committee for the opportunity of commenting at length on the vital legislation under consideration.

EXHIBIT A

[From Post Office Department Regional Letter, Jan. 17, 1966]

RECRUITING ASSISTANCE

I. Action offices

Regional directors and Directors, Personnel Division.

II. Purpose

To provide assistance to postmasters in areas where recruitment is difficult.

III. Background

The San Francisco region developed a small recruiting announcement which was delivered by letter carriers to every mailbox in the city. It proved so successful that it is now being made available as a departmental form, so that it may be available to all postmasters.

IV. Procedures

Fifty sample copies of form 2415, "An Important Message From Your Postmaster," are attached for information. All residential carrier routes should be covered, although not necessarily at the same time. Under no circumstances should these forms be distributed to business concerns. Regional directors through the Directors, Personnel Division, shall designate the postmasters in their region who are having difficulty in recruiting. Instruct the postmasters to requisition an initial supply of form 2415 from the supply centers on form 4750, "Special Requisition for Supplies." The quantities of forms requisitioned should be limited to the actual number of carrier routes involved. At the same time the Director, Personnel Division, shall send to the supply center a list of the offices scheduled to requisition the form so that issuance may be confined to those offices designated for this project. Additional supplies of the form may be ordered during regularly scheduled requisitioning periods on form 1580, "Requisition for Supplies." It may be necessary to temporarily limit distribution because of the examination workload, but if this is done, it is suggested that complete distribution be made for each carrier station in turn. It is also suggested that the postmaster consult with the local carrier employee organization in order to explain the recruiting program to the carriers and to enlist their assistance.

RICHARD MURPHY,
Assistant Postmaster General.

EXHIBIT B

NATIONAL POSTAL UNION,
Washington, D.C., March 2, 1966.

Hon. LAWRENCE F. O'BRIEN,
Postmaster General,
Washington, D.C.

DEAR MR. O'BRIEN: Your general release No. 36, dated February 26, 1966, concerned the "immediate recruitment of approximately 10,000 'needy and deserving' students to help post offices all over the Nation move the mails more

rapidly during rush hours." It authorized establishment of a new position of postal assistant, PFS–3, at $2.37 an hour.

National Postal Union appreciates and supports the desire of the administration and the Department to encourage and aid needy students as such. However, we wish to strongly protest the action taken because it is one more fundamental change in policy being taken in haste, without an opportunity for proper evaluation and consultation, and because it will increase instability among personnel, cause disruption, create problems, and resentment, and tend to undermine the status of career, full-time postal employees.

This new type of employment must increasingly lessen the attraction of full-time employment with the Post Office Department made through normal civil service registers at a time when the Department has been compelled to initiate extraordinary measures in an effort to overcome the difficulties presently being faced in obtaining additional thousands of needed new employees. In the last 10 years, beginning with the establishment of the category of part-time temporary substitutes, we have seen the status of the full-time career employee whittled away at steadily. We have Christmas assistants, seasonal assistants, "N.T.E." 30-day "emergency" appointments, 89-day appointees, "indefinite temporary substitutes," "schedule A" appointments, "part timers" (4 hours a day), and now a 16-hour-a-week employee. This new position is being authorized and utilized with a total disregard for its impact on the morale of full-time career employees, who must continue to feel downgraded at the spectacle of having phases of their basic functions parceled out to non-civil-service employees, appointed without written examinations of any kind.

These newest postal assistants are being hastily appointed with a degree of discretion given to departmental representatives, that undermines civil service standards.

The haste is particularly indecent in view of the following:

(1) Authority for these appointments was granted by the Civil Service Commission on date of December 17, 1965, but after 2 months, there is not even a temporary job description and instead, the duties of SP 1–20 (seasonal assistant, PFS–3) will be utilized "pending issuance of a new standard position";

(2) The announcement states flatly that there will be "no examination";

(3) Rate of pay will be step 1 of level 3, $2.37 per hour, but the temporary job description would, in practice, undoubtedly open the way toward the attempted use of this employee for work normally performed by a distribution clerk (KP–12, PFS–4), or a city or special carrier, or special delivery messenger (KP–11, PFS–4). In practice, the use of postal assistants is bound to create confusion, resentment, and problems of every kind. It would introduce the atmosphere of the Christmas rush every day of the week where such employees are utilized. It is in our opinion essentially a cheap labor device, using a "progressive" approach.

The use of postal assistants will increase instability, and there will inevitably be a never-ending turnover of personnel in this title. It is bound to complicate major and serious problems attendant on present efforts to establish a proper foundation for the concept of the administrative workweek. Why should a person seek to take an open, written competitive examination for postal employment, and to make it a full-time life career when there are so many "flexible" approaches which offer "shortcuts"? As against rigid work schedules for full-time regulars, the postal assistants can have virtually any hours and will undoubtedly have work schedules which, at least in part, will have advantages over the work schedules of regular senior career employees. They will not have schemes, but be used in "simple" distribution. They will, if the job description of SP 1–20 prevails, not have "routes," but assist in "delivery of mail," etc. This is a hybrid position in our opinion, an ill-concealed product of expediency, whose political overtones are inescapable and which callously ignores the effect on full-time career employees.

The Department's instructions to regional directors state in part, "It is expected that use of these employees will be of significant benefit to the postal service, in that it will reduce the need for temporary substitutes." How, by increasing their number—because the postal assistants will in fact be nothing more or less than temporary substitutes.

We urge that all plans to employ postal assistants, PFS–3, be abandoned.

Thank you for your consideration.

Sincerely yours,

SIDNEY A. GOODMAN, *President.*

EXHIBIT C

NATIONAL POSTAL UNION,
Washington, D.C., March 2, 1966.

Mr. JOHN W. MACY, Jr.,
Chairman, Civil Service Commission, Washington, D.C.

DEAR MR. MACY: Attached is a copy of a communication from the undersigned, addressed to Postmaster General Lawrence F. O'Brien, dated March 2, 1966, with reference to the position of "postal assistant," PFS-3, being established in the postal service. Insofar as the position is being established "pursuant to authority of the Civil Service Commission, dated December 17, 1965," I wish to urge withdrawal of such authority.

Beyond our observations in the communication to the Postmaster General as referred to above, I call your particular attention to that part of the announcement by the Postmaster General under point 1, "Title of position: Postal assistant, PFS-3. Pending issuance of new standard position, duties contained in SP 1-20 shall be used."

This is the first time in memory that a position to which thousands could be appointed has been established, utilizing the job description of another position "pending issuance of a new standard position."

This is certainly a unique type of appointment with a "temporary" job description presumably to be followed by a permanently established job description, which as of the time that appointments are authorized, is undefined. However "legal" this might be contended to be in a technical sense, this surely violates all past practice, and elementary principles of proper management responsibilities, as well as consideration for full-time career employees.

Career employees must be especially resentful of the extraordinary haste. For at least 10 years prior to passage of Public Law 89-301, untold thousands of career substitute employees were required to work all kinds of excessive hours on a daily and weekly basis at straight time. This was an indefensible situation from every point of view. Yet, no real effort to provide relief was attempted until the recently enacted pay legislation made its continuation uneconomical. Leaving aside political implications, career employees can only conclude that the need for postal assistants became an emergency solely as an economy measure. How long will full-time career employees be compelled to listen to affirmation of good intentions concerning desirable and oft proclaimed, but never consummated, improvements for career employees, while the Department and the Commission move decisively and with extraordinary speed to create this dubious kind of position, using an even more dubious procedure?

Your reputation as a knowledgeable, exceptionally able administrator, who fully supports the principles of civil service procedures, must surely place you in an unenviable position at this time. You cannot be unaware that the long-range effects of establishing this new position must seriously undercut the type of management procedures and employee-management relations to which you are undoubtedly sincerely committed.

I wish to urge that the authority for establishment of postal assistant, PFS-3, be withdrawn forthwith in the best interest of the service.

Thank you very much for your consideration.

Sincerely yours,

SIDNEY A. GOODMAN, *President.*

EXHIBIT D

NATIONAL POSTAL UNION,
Washington, D.C., January 26, 1966.

Hon. DOMINICK V. DANIELS,
House Post Office and Civil Service Committee,
House Office Building,
Washington, D.C.

DEAR SIR: On date of January 12, 1966, we advised you of our legislative program for the 2d session of the 89th Congress with respect to liberalizing amendments to Public Law 89-301. We also wish to bring to your attention the vitally important issue of Government contributions to health plan premiums, a matter we consider to be of the highest priority.

We strongly believe that the Government should pay the entire cost of health premiums for all eligibles, a practice that has become more and more common in comparable outside employment. Incidentally, we note that for municipal

employees in the city of New York the city government is contributing 75 percent of the cost of comparable hospitalization currently and effective January 1967 will assume the entire cost.

The Government's contribution has been $3.12 per eligible per pay period ever since the inception of the Health Benefits Act in July 1960. Increases in the cost of hospital and medical services have been referred to as having averaged 5 percent a year since that date. However, our actuaries advise us that increases at the present time are actually averaging 8 to 12 percent a year with absolutely no end in sight. This imposes a major hardship, particularly on lower paid postal employees and amounts to an annual wage cut.

The acute problem posed is dramatized for example in what has happened to hospital costs in New York City. The following tells its own story:

	Per day
Prior to July 9, 1960 (inception of Health Benefits Act) (comparable union plan)	$20.00
Until July 1, 1960	24.00
July 1, 1961	26.00
July 1, 1962	28.00
Jan. 1, 1963	30.00
Jan. 1, 1964	34.00
June 1, 1965	48.00
Jan. 1, 1966	53.50

This is an all-inclusive contract rate for National Postal Union based on charges to Blue Cross. It covers surgery, special services, drugs, etc. Without a contract, costs would be much higher. As of this date our actuaries, reflecting the virtually unanimous views of experts in this field, estimate that the all-inclusive contract rate we can expect by 1970 with the department of hospitals, New York City, will be $100 a day. This tells its own story and there is no need to embellish.

On January 18, 1966, we held a day-long session of our national advisory committee to our health plan at the International Inn, Washington, D.C. Local health plan representatives from every part of the Nation as well as three full-time health plan claims representatives were present. The 20 participants, with our actuary and members of his staff present, evaluated the entire situation. This meeting unanimously voted to seek a congressional investigation of the continued spiraling medical and hospital costs by an appropriate committee in both the Senate and House. We are hopeful that medicare, effective July 1, 1966, may have a tendency to diminish the sharp rate of increase but it can be expected to do little more.

Accordingly, on behalf of the more than 100,000 people covered by National Postal Union hospital plans, I wish to request and urge a full-scale investigation of the entire situation in the best interest of not only our membership but all postal and Federal employees and indeed the entire Nation.

Thank you very much for your consideration. Thank you for responding favorably to our request for an opportunity to present our legislative program. I look forward to an early meeting.

Sincerely yours,

SIDNEY A. GOODMAN, *President.*

EXHIBIT E

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., December 2, 1965.

Because the present regulation does not entirely carry out the intent of the law, by letter of May 14, 1965, I invited your comment on a proposed amendment to the Federal employees' group life insurance regulations which would "limit free coverage while in nonpay status to a total of 12 months unless the employee returned to pay status for the purpose of performing substantial service." I now want to thank you for your reply, and to advise you of the current status of the proposal.

The Commissioners have decided to defer making any change in the regulations on this provision for approximately 1 year. This period of deferment will give

those who would be affected adversely by the change ample opportunity to make other insurance arrangements if they so wish, and allow the unions whose officers are involved time to seek such legislation as they may consider appropriate.

Sincerely yours,

ANDREW E. RUDDOCK, *Director.*

NATIONAL POSTAL UNION,
Washington, D.C., December 2, 1965.

Mr. ANDREW E. RUDDOCK,
Director, Bureau of Retirement and Insurance,
U.S. Civil Service Commission, Washington, D.C.

DEAR MR. RUDDOCK: Thank you for the opportunity of expressing our views with reference to the question of retirement credit and hospital coverage for union officials on full-time leave, who have been reporting for duty only 1 day in a calendar year.

We feel strongly that past and current practices completely fail to give elementary consideration in both respects. Such union officials receive only 6 months' credit for retirement purposes in a given leave year, and are denied participation in the Federal Employees' Health Benefits Act. In effect, this penalizes duly elected representatives of Federal employees for performing a necessary function which is clearly in the interest of both the Government and its employees.

The present practice clearly violates the whole spirit and intent of Executive Order 10988 which has now been in effect for 4 years. The Government and its agencies has officially proclaimed its recognition of employee rights to an unprecedented extent, and certainly present practices are clearly incongruous.

We strongly believe and assert that all duly elected, full-time union officials are entitled to, and should receive, all benefits which they would be eligible to enjoy if they were on full-time duty. The cost of this to the Government would be negligible. However, the Government should at least make it possible for such union officials to enjoy all benefits they would otherwise be receiving by having the respective unions involved contribute the respective amounts that would normally be contributed by the employee involved.

Only such a policy would be fair, equitable, and consistent with the obligations of the U.S. Government, the policies it has proclaimed and the rights of employees who happen to be union officials. We urge that such procedures be instituted forthwith.

Thank you very much for your consideration.

Sincerely yours,

SIDNEY A. GOODMAN, *President.*

EXHIBIT F

NATIONAL POSTAL UNION,
Washington, D.C., February 28, 1966.

Hon. DOMINICK V. DANIELS,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN DANIELS: I want to again express my deep appreciation for the courtesies shown me when I appeared to testify before your subcommittee in connection with your bill, H.R. 11879, which would significantly improve coverage for employees under the Federal Employees' Life Insurance Act of 1954. At that time, I inadvertently omitted commenting on one aspect; free life insurance coverage for full-time union officials, which I hereby submit.

Presently, elected full-time union officers have free coverage under the Federal employees' group life insurance, being required to actually report to their nominal assignment only 1 day a year. The Department is considering a change to "substantial service."

Any such change would seriously and adversely affect union officials. "Substantial service" would require them to abandon the duties of their office for some length of time, unstipulated at the moment, in addition to imposing hardships from the standpoint of travel, cost, etc., if they are national officers, permanently assigned to Washington. It would appear that Commission reasoning includes the assumption that any loss of insurance coverage by union officers, as a result of the change in criteria, could easily be covered by the respective organizations involved. As a matter of fact, however, most of the union officials who would

be adversely affected would have difficulty obtaining insurance, either from the standpoint of state of health and/or age, and even if it were obtainable, the cost would be high.

It seems ironic that the Commission's proposal comes at a time when presumably the status and recognition of employee organizations is supposedly more secure and given greater emphasis than ever before, especially with the advent of Executive Order 10988. The "costs" of retaining present criteria are absurdly low because of the relatively tiny number of employees affected. Nevertheless, we find that "economy" is again being raised, this time threatening to deny continued free life insurance coverage for full-time union officers, a longstanding practice.

I wish to request and urge that your bill carry an amendment which would assure retention of free coverage under the Federal Employees' Group Insurance Act for full-time union officials on leave.

I am also taking the liberty of attaching photocopies of a letter of December 2, 1965, from Andrew E. Ruddock, Director, Bureau of Retirement and Insurance, U.S. Civil Service Commission, and my answer thereto, similarly dated December 2, 1965. A perusal of both of the aforesaid letters will acquaint you with the current status of this matter.

Thank you very much for your consideration.

Sincerely yours,

SIDNEY A. GOODMAN, *President.*

Mr. GOODMAN. Had I read it, I would have ended by saying "so much for the pseudoscientific approach."

We support H.R. 10294, although we feel that the 7-percent increase recommended will still leave postal employees behind. This legislation is once again the test of good faith in terms of Congress' pledge of comparability as embodied in Public Law 87–793. I want to congratulate Congressman Olsen for his bill in this regard.

Mr. OLSEN. Let me interrupt. Mr. Krebs also has that.

Mr. GOODMAN. I am sorry. I stand corrected and I apologize.

Mr. OLSEN. And Mr. Daniels, too.

Mr. GOODMAN. That is right. I am apologizing to Mr. Daniels.

Mr. UDALL. The record shows the authorship of all the various bills that are before us.

Mr. GOODMAN. Thank you.

In the 1st session of the 89th Congress, the National Postal Union testified three times on pay at length with special emphasis on the gap in comparability, introducing considerable statistical data. In view of extended testimony on this aspect taken previously, we are dispensing with this approach at this time. The gap continues and the situation remains basically unchanged from the standpoint of employees.

It should be remembered that in the last session, the House passed a bill providing a 4.5-percent increase and that this was reduced to 4 percent in the final stages of the last session of Congress only in order to meet the administration's insistence on a smaller percentage. The Senate then reduced this to 3.6 percent and the House accepted this only because it believed there was no realistic alternative. The Congressional Record is replete with ample evidence of the indignation of the House at the veto threat and the failure of the administration to meet its pledge of comparability.

Considering what employees have already lost by the failure to achieve comparability since October 1962, and in view of what they are entitled to on this score, projected on a current basis, postal employees in levels 1 to 6 are certainly entitled to a minimum of the 7-percent increase recommended and effective January 1, 1966, and not 1967.

It should be noted that when Congress pledged comparability in October 1962, with passage of Public Law 87–793, this was geared to salary alone and the introduction of the package concept at this time has a tendency to blur congressional commitments on this single item.

The administration proposes a 2.5-percent salary increase for postal employees, which is referred to by the Director of the Budget. I will skip that part. We find it slightly under the 2.4 level. I am basing that on the basis of the administration's own figures.

The administration has placed the heaviest possible emphasis on the question of not exceeding so-called wage guidelines in order to avoid the threat of inflation. Certainly we all have a responsibility in this respect. However, we support the views of the distinguished member of this committee, who in questioning a Department spokesman, pointed out the disparity in the views of the administration with respect to wage guidelines, as against the total lack of guidelines with respect to corporation profits.

As was pointed out, the net profits after taxes of such corporations as Ford and General Motors, averaging 60 to 65 percent in recent quarterly reports, constitutes a far greater threat of inflation, in our opinion, than granting deserved and long-overdue salary increases to Government employees. The corporation profits referred to, unlike wages, which bolster a viable economy, are utilized for reinvestment, which in turn increases production without any assurance that it will be accompanied by any balancing increase in purchasing power. Yet this aspect is ignored by the administration.

Mr. Chairman, I ask permission to insert in the record a list of corporations' profits.

Mr. UDALL. Without objection, this list of corporations' profits will be introduced following your testimony.

Mr. GOODMAN. In a recent statement before the congressional Joint Committee on Economics, Mr. Arthur M. Ross, Commissioner, Bureau of Labor Statistics, asserted that "outside" increases substantially exceeded the 3.2-percent guideline as follows:

Steel wages increased by 4.2 percent; office clerical workers' increases were 3.4 percent; manufacturing industry increases, which are below 2.8 percent; and construction industry increases, 4.1 percent.

In testifying before this committee on March 7, the Chairman of the U.S. Civil Service Commission, in responding to questions by a member of this committee, conceded a gap of at least 21 months from the period on which the most recent Bureau of Labor Statistics' report utilized by the administration were taken, until the effective date recommended for salary increases, namely, January 1, 1967. Further, this leaves completely out of account the fact that irrespective of substantial increases which could take place between the 1st and 12th month during which a given BLS report is binding, such increases could only be reflected in subsequent BLS reports.

Let's take a look at exactly what the administration proposes, in terms of increases in actual take-home pay for employees, utilizing step 4, level 4, as a median or "pay line."

Under it, salary would be increased from $5,694 to $5,830, or nominally $136 per annum. The proposed biweekly increase would amount to $5.23. From the standpoint of take-home pay, this would be decreased by the additional one-half of 1 percent increase in retire-

ment deduction as proposed, which would amount to $1.46 biweekly, leaving a net gross increase in take-home pay of $3.77 biweekly. The difference in increased Federal taxes would cost the employee 73 cents biweekly. Thus, the net increase in pay biweekly would be $3.04, which would amount to the munificent sum of $1.52 per week.

Let us also remember that for employees in levels 1, 2, and 3 of the postal field service, the ones that need it the most, it would be substantially less.

Mr. OLSEN. Just one question at this point.

Don't you suppose at the next election all the postal workers will be around thanking us Congressmen for this pay increase?

Mr. GOODMAN. May I insert these showing this?

Mr. UDALL. We are pleased to have them. Without objection, they will appear at the end of your testimony.

Mr. GOODMAN. Is this the bold look of the Great Society? And is this being put forth seriously by its sponsors as a meaningful, dynamic program of economic redress?

The administration places great stress on productivity as a major aspect in its salary "guidelines." The $1.25 a week would amount to 0.0037 percent of gross annual salary in the median step and level. In the Annual Report of the Postmaster General, 1965, it states:

> During postal fiscal year 1965 workload in all WMS installations increased 4.8 percent over postal fiscal year 1964 versus a 2.9-percent increase in total clerk-mail handler work hours.

This means that there was an actual net increase in productivity of 1.9 percent in which employers were the decisive factor. In actual practice, they have been entirely dependent on the degree to which employees in outside industry are able to translate increases in productivity into increased wages under their respective employment contracts. We assert that the comparability pledged should be the floor and that to it should be added this increased productivity of postal employees, amounting currently to 1.9 percent.

The administration stands in firm opposition to an increase in premium pay for Saturday, Sunday, and holiday work. It contends that this is not a sufficiently general practice in the private sector so as to warrant having this reflected in the pay bills under consideration. In so doing, statistical reference was made to conditions prevailing in supposedly comparable outside industry.

On questioning, however, the Department spokesman conceded that the figures cited covered white-collar workers. In further questioning, he conceded that postal employees were not only not white-collar workers generally, but were in fact unique and not literally comparable to outside positions. Thus the Department's views were shown to be basically irrelevant, and therefore invalid.

We assert that if the Department and the administration are truly concerned with assuming full responsibility for establishing a sound and progressive salary structure for postal and Federal employees, they will support the provisions of H.R. 10294 and related bills, which call for payment of time and one-half for Saturdays, and double time for Sundays and holidays. We urge the committee to act forthrightly in this area.

The spokesman for the Department, in opposing payment of overtime rates for substitutes for work in excess of 8 hours, made reference to the fact that only 29 million out of 69 million outside employees are

subject to the Fair Labor Standards Act, although admittedly this is required for outside employees by other legislation, such as the Walsh-Healey Act.

As was pointed out by a distinguished member of this committee, this reference, of course, includes only employees engaged in interstate commerce, and totally ignores a much larger number employed intrastate who do have equivalent protection.

Actually, as the Department spokesman himself conceded—

> of 400 contracts reviewed by the Bureau of National Affairs, 90 percent specified time and one-half for overtime, after 8 hours in 1 day.

The implication is very clear. Postal substitutes, just as regulars, should be entitled to be paid time and one-half for all work performed in excess of 8 hours a day.

Because of this inequity, we have had numerous problems having to do with the opportunity for overtime given substitutes as against regular employees. The Department's own instructions provided for generally giving equal opportunity. Nevertheless, in practice, substitutes, although in excess of 40 hours a week, and thus on overtime, have repeatedly been given greater opportunity for overtime in many offices, although there is no savings to the Department. This happens because supervisors tend to hold substitutes for overtime rather than regulars because of the possibility that a given substitute may not have reached 40 hours in a given workweek, and thus theoretically may be utilized at straight time, resulting in a so-called economy.

In large offices, it is virtually impossible to keep a sufficiently accurate accounting of hours so as to enable a supervisor to know at any given moment what given substitute will be on actual overtime. The result has been confusion, and a great deal of unnecessary resentment caused, with no gain in efficiency whatsoever. We urge in the strongest possible terms that substitutes be paid overtime for all work in excess of 8 hours a day as a matter of simple equity.

One aspect of the Department's application of the recent pay law, Public Law 89–301, requires mention. Under the authority vested in the Postmaster General, a workweek beginning at 12:01 a.m. Saturday, and ending 12 midnight Friday, was established. It should be noted that this covers substitutes who are defined under the same law as employees with no regular work schedule. Under Department instructions, substitutes who work past midnight on Fridays, arbitrarily had their tour terminated at 12 midnight for pay purposes only, and were required to hit a new time card at 12:01 a.m. Saturday.

Thousands of substitute employees who continue to work several hours past midnight Friday had these hours counted as part of a new workweek. The result was to deny these employees who may have worked 40 hours by 12 midnight on Fridays, overtime rates for work performed on Saturday, a.m. as part of a continuous tour which begins on Friday, the night previous. In effect, since November 6, 1965, we are happy to note that recent Department instructions appear to have eliminated this injustice.

There is a special aspect for regulars, too. The Department has deliberately encouraged establishment of tours on Saturday and Sunday nights different from reporting time the other days in the week in order to avoid payment of Sunday differential. This means a

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regular reports 4 days a week at one hour and on Saturday or Sunday, at a completely different hour.

The Department also proposes an extension from 12 to 15 hours as the maximum hours during which an employee may be worked or available to work, retaining the current requirement that no employee shall be employed more than 12 hours on 1 day. We flatly and strongly oppose this proposal. The Department's spokesman referred to the need for utilizing employees in small offices at peak periods from 6 a.m. to 8 a.m. and then from 5 to 8 p.m. on that same day. This is reminiscent of split shifts which have not been seen on the American labor scene since the depression of the thirties.

Citing the Department's needs in such terms is a sad commentary on the extent to which acceptance of modern personnel practices has yet to permeate the Department.

This proposal, and the resistance to overtime rates for substitutes for work in excess of 8 hours a day, are based largely on the Department's contention that the substitutes constitute a unique category. They do indeed, Mr. Chairman, but does the Department think that by claiming a so-called special need, it thereby assumes the right to create a subhuman category which becomes completely expendable? It was this kind of approach which led to a protest demonstration here in Washington in the early 1930's in which subs carried signs saying "Mr. Farley, can you live on $6 a week?"

Just for a moment, in the 1930's substitutes, the checks established $10 or $12 a week. They formed an organization and came to Washington and I have seen the historic picture of subs carry signs of "Mr. Farley, can you live on $6 a week?"

As we have emphasized in previous testimony, Mr. Chairman, is a substitute less a human being, a father, a citizen, a breadwinner, less subject to physical strain and less vulnerable to fiscal pressures because the Department rhetorically has dubbed them "on call" employees? Is there any comparable outside industry that would dare to attempt to create a special category of employees which by definition become less entitled to proper working conditions and standards? I think not, Mr. Chairman, and I urge that this committee reject this philosophy in its entirety. It is long since time that the Post Office Department stopped demanding special privileges and accepted the same responsibility as do outside employers in this connection, particularly since it frequently refers to outside conditions when discussing other phases of its proposals.

In considering increases for postal employees, some aspects not directly connected with salary as such, but which bear directly on the question of the status of postal workers should be considered. The administration salary recommendations must be evaluated in terms of continuing personnel policies which tend to undermine the status of major categories of employees.

This is underscored by the continuing difficulty encountered by the Department in attempting to attract badly needed additional personnel.

As an example, I submit a copy of the Department's regional letter, marked "Exhibit A," dated January 17, 1966, an open acknowledgment of this problem. I call to your attention, Mr. Chairman, another aspect, the increasing tendency to fragment and parcel out essential aspects of the duties of distribution clerk and letter carriers to various kinds of temporary employees. This type of development has

a serious adverse affect on morale and, while morale may be an intangible from the standpoint of statistical reports, it is ultimately the most decisive factor from the standpoint of improving real efficiency.

At this point, Mr. Chairman, I ask permission to insert exhibit B.

Mr. UDALL. Without objection, the exhibits A and B, which you refer to in the next paragraph, will all appear in the record.

Mr. GOODMAN. Thank you.

Here I leave the record to give a picture. The $3.12 may have originally constituted 50 percent of the low option. Over 80 percent of the eligibles on the basis of their own records are in the high option. Currently we have one of the best plans, and our people have been forced to absorb literally 100 percent increases in the last 5 years. The Government has contributed nothing. The Government's actual contribution has gone from 35 percent of our high option to 23 percent. If the Government were merely to assume responsibilities for adjusting its original percentage contribution, it would have to increase its own contribution by 12 percent, Mr. Chairman.

It is a serious business, and we seek a congressional investigation. Because starting from $20 a day in 1960, we are currently paying $53.50 as an all-inclusive daily rate in a ward in a hospital in New York City.

Further, all experts agree by 1970 it will cost us $100 a day if you please, in a ward, Mr. Chairman, in a city like New York.

We ask the chairman of the committee to institute a congressional investigation.

Going on to the retirement aspect, we commend the administration's recommendations to establish optional retirement at age 60 with 20 years of service and to assure a minimum annuity for disability retirement, amounting to not less than the amount an employee in outside industry could obtain under social security. It must be recognized, however, that these are essentially peripheral and do not touch the heart of the need for basic improvements in retirement benefits. In this connection, we note that there is not even mention of support of the administration-blocked proposal in the last session which would have increased annuities for survivors and dependents from 55 to 60 percent, a modest 5-percent increase. We do not think that the administration's proposed improvements on retirement begin to go far enough.

National Postal Union's retirement program, as adopted by various national conventions, is as follows—but I won't burden the committee with this. We have submitted it before.

We assert that above all, action is long overdue to provide for full retirement benefits with 30 years of service, regardless of age, and without any increase in cost for employees. We also urge the committee to act favorably on other aspects of the retirement program as just enunciated, supporting a ceiling of $30,000 retaining the previous formula. I am not going to burden the committee, but I will only say that life insurance is given to the surviving dependents in addition to a higher annuity, which is reflected in the higher earnings of top-level employees.

To say that, in addition to this, the survivors and dependents of higher level employees will be invested with five to six times the needs of the lower level employees. This is most unjust. It is obvious that the survivors and dependents of lower level employees, especially in the case where there are young children, have had much

less an opportunity to shore themselves up against the vicissitudes of life. As I stated in my previous testimony, Mr. Chairman, there should be no such aristocracy in death.

I refer to the exhibits and I ask that they be included in the record

Mr. UDALL. Without objection, your additional records will be made a part of your testimony at the closing.

Mr. GOODMAN. One more thought before closing, Mr. Chairman. Department testimony included a listing of advances made which "has moved the Department from the ranks of the not-so-good employers to the ranks of the progressive employers." I suppose that the Department bases its claim on the fact that everything can be claimed to be relative. I am bemused that the Department referred to itself, albeit retroactively, of course, as a "not-so-good employer."

In evaluating the advances, however, we should not lose sight of the total picture. If the Department were a truly progressive employer, it would now be strongly supporting not only the bill by Representative Krebs, but also the Dulski amendment, restoration of the cut in cost-of-living allowances in Puerto Rico and the Virgin Islands, an increase in per diem for mobile unit employees, and a work clothing allowance for mail handlers, maintenance and motor vehicle employees in particular, among other things.

I want to express my deep appreciation to the distinguished chairman and members of this committee for the opportunity of commenting at length on the vital legislation under consideration.

(The attachments to the statement follow:)

[From the Washington Report]

The profit picture

Profits after taxes	4th quarter 1964	4th quarter 1965	Profits after taxes	4th quarter 1964	4th quarter 1965
General Motors	$374,537,000	$587,300,000	Eli Lilly	$10,810,000	$10,900,000
Ford Motor	101,900,000	162,800,000	Rohm & Haas	6,998,000	7,269,000
American Motors	9,524,000	4,196,000	Georgia-Pacific	9,630,000	10,540,000
Borg-Warner	17,850,000	18,550,000	Ideal Cement	3,046,000	3,820,000
United States Steel	69,015,000	49,038,000	Owens-Corning Fiberglas	4,139,000	5,347,000
Bethlehem Steel	43,016,000	28,605,000	Continental Can	10,009,000	13,224,000
National Steel	24,976,000	21,272,000	American Can	9,065,000	12,185,000
Aluminum Co. of America	16,292,000	19,462,000	Scott Paper	12,552,000	13,970,000
Reynolds Metals	12,554,000	15,904,000	Champion Papers	4,510,000	5,249,000
Kaiser Aluminum & Chem	7,605,000	10,244,000	Armstrong Rubber	953,000	1,214,000
Kennecott Copper	23,297,000	24,533,000	General Tire & Rubber	12,970,000	13,822,000
American Smelting & Refining	13,071,000	14,259,000	Burlington Industries	16,227,000	19,475,000
Newmont Mining	6,168,000	10,385,000	American Enka	4,691,000	4,979,000
Standard Oil (New Jersey)	252,000,000	266,000,000	Rayonier	4,786,000	4,787,000
Gulf Oil	106,000,000	115,000,000	General Foods	19,377,000	22,227,000
Texaco	158,557,000	172,874,000	National Biscuit	10,255,000	11,165,000
General Dynamics	13,036,000	18,062,000	General Mills	5,992,000	6,834,000
McDonnell Aircraft	7,189,000	8,501,000	American Tobacco	20,532,000	19,791,000
Douglas Aircraft	2,507,000	3,039,000	Philip Morris	6,079,000	7,090,000
Avco	5,604,000	7,179,000	A & P	12,766,000	12,524,000
International Business Machines	114,734,000	125,840,000	Winn-Dixie	6,699,000	6,908,000
Westinghouse Electric	24,987,000	29,843,000	Hiram Walker	10,511,000	11,527,000
Xerox	11,496,000	16,014,000	Schenley Industries	7,724,000	8,459,000
Burroughs	5,193,000	8,924,000	National Distillers	8,830,000	9,012,000
Magnavox	5,899,000	8,821,000	Pennsylvania Railroad	10,463,000	10,141,000
Caterpillar Tractor	35,100,000	38,600,000	New York Central	9,567,000	19,239,000
Ex-Cell-O	3,570,000	4,715,000	Santa Fe	20,779,000	26,681,000
United Shoe Machinery	3,277,000	3,447,000	National Airlines	3,262,000	4,798,000
Du Pont	[1]84,000,000	95,000,000	Trans World Airlines	6,576,000	6,422,000
Union Carbide	56,147,000	59,942,000	Braniff Airways	1,827,000	3,020,000
Monsanto	27,887,000	24,818,000	American Telephone & Telegraph	430,942,000	473,571,000
Chas. Pfizer	12,875,000	14,711,000	Detroit Edison	13,127,000	13,636,000
			Consolidated Edison (New York)	27,813,000	25,717,000

[1] Excludes dividends on General Motors stock.

Source: company statements; Standard & Poor's Corp.

STEP 1—LEVEL 1

Current	$4,086.00
Proposed	4,170.00
Gross increase (per annum)	84.00
Retirement, $4,086 at 6½ percent vs. $4,170 at 7 percent (per annum increase)	24.31
Increased Federal (only) taxes (per annum)	3.40
Total increased deductions (per annum)	27.71
Net increase in take-home pay (per annum)	56.29
Net increase in take home pay per week (net)	1.08

STEP 4—LEVEL 4

Present biweekly pay	$219.00
Present retirement deduction (6½ percent)	14.24
Proposed administrative step 4, level 4 (biweekly)	224.23
7 percent retirement equals $15.70 minus net increase biweekly	1.46
Proposed gross biweekly increase	5.23
Less amount of 0.5 percent retirement increase	1.46
Net gross increase prior to taxes (biweekly)	3.77
Minus additional taxes biweekly	.73
Net biweekly	3.04
Net weekly	1.52

Mr. UDALL. Thank you, Mr. Goodman.

I think you know the high regard I have for you and your organization, and I am sure it is shared by the other members of this committee. You are one of the most helpful, aggressive, and able people who has appeared before this committee. I thank you for the very effective and interesting testimony which you have presented this morning.

The gentleman from Montana.

Mr. OLSEN. I want to join my chairman in congratulating you on an excellent statement. I congratulate your colleagues, too. I admire your stand in every category.

I wanted to dwell for just a moment on the subject of substitutes and temporary employment and on whether it wouldn't be a good idea to change these titles at the same time as changing overtime provisions for all of the employees in the Post Office Deparrment.

Is that your view?

Mr. GOODMAN. We have long advocated the complete abolition of substitute categories, and we heartily agree with the approach you indicate.

Mr. OLSEN. Wouldn't it be well to adopt a system whereby people who are hired by the Post Office, and serve a certain number of hours a year, are then considered permanent employees.

Mr. GOODMAN. I would agree.

Mr. OLSEN. There would be a probationary period of a number of hours a year, and the employee would then get status under the civil service system.

Mr. GOODMAN. Yes.

Mr. OLSEN. In your judgment, would there be any increase in cost of overtime if it were extended to temporaries, so-called?

Mr. GOODMAN. No. The reason that you can pay overtime automatically means an increase in cost. This is related to efficiency. And with a proper use of regular employees particularly, there would be no increase.

The Department learned after many years, for example, that they could drastically reduce the number of Christmas assistants hired. For years we appealed in vain. The Department found out the hard way that they could slash the number of Christmas assistants and decrease the costs. They may do it, happily, after all these years.

Mr. SILVERGLEID. As Mr. Goodman pointed out, the regulars are now being discriminated against in the use of overtime.

Mr. OLSEN. In making this change we would have to keep in mind that the newest employee might be discriminated against, in that he might have a hard time getting 40 hours a week. We would have to find some way to protect the newest employee so that he could get at least enough hours of work a week to earn a living wage. I think we ought to ponder on how we would get him that kind of guarantee.

That is all I had. I think I am pretty much in agreement with everything you had to say. I think we ought to get as big a bite as we can this year.

I might say, I think that the bill is going to be a bigger bill than the administration thinks.

Thank you very much.

Mr. UDALL. The gentleman from New Jersey.

Mr. DANIELS. I would commend Mr. Goodman and his associates for a very fine statement. Your recital here this morning indicates that you have done your homework and you did it very, very well.

I have no questions. He knows my views. He knows what bills I have supported. Reference has been made to them in his statement and I think the record speaks for itself.

Mr. UDALL. Thank you, Mr. Daniels.

The gentleman from Hawaii.

Mr. MATSUNAGA. Mr. Goodman, how many members do you have in the National Postal Union in Hawaii?

Mr. GOODMAN. In Hawaii we have a relatively small number. If I were really a good politician, I would speak in the thousands. I will tell you frankly they only run in the hundreds.

Mr. MATSUNAGA. But these few hundreds that you have will be reading your testiomny, I presume?

Mr. GOODMAN. I hope so.

Mr. MATSUNAGA. Mr. Chairman, I ask that Mr. Goodman be allowed to amend his testimony on page 12 to indicate that I, too, introduced a bill providing——

Mr. UDALL. The record will show this indisputable fact, and I am sure Mr. Goodman will be happy to concur.

Mr. MATSUNAGA. Other than that, I must say, Mr. Chairman, that Mr. Goodman has presented an excellent testimony and I, too, join in the commendation.

Mr. UDALL. The gentleman from New Jersey, Mr. Krebs.

Mr. KREBS. This is just because I have to catch a plane. I haven't changed my religion. I just want to say that I want to commend Mr. Goodman, Mr. Silvergleid, and their organization for the outstanding comprehensive statement that they presented here today, and to say that I believe that the need and the inequity of the guideposts as set forth in your statement and your dramatic presentation on page 5, of what this increase really boiled down to when all verbiage and window trimming was stripped away from it, puts

the whole case in my judgment in a very compact and effective nutshell.

I thank you both for it.

Mr. UDALL. Thank you, gentlemen, for appearing before us.

Mr. SILVERGLEID. Mr. Chairman, may I have a minute? I hope we are approaching merger, and I may not appear before this committee again in this capacity.

Mr. UDALL. It will be a great loss to the committee if you don't.

Mr. SILVERGLEID. Thank you, Mr. Chairman.

I regret, of course—and you have your own reasons for not asking Mr. Goodman the same question you asked the others—but I have been coming down to these meetings for the last several years.

Mr. Udall, prior to 1961, we never did get a Presidential recommendation for pay. We have only had them since 1961. In those prior years we had to fight our way through and we were fortunate to have members of the House committee who fought with us as we have today.

Now, I have nothing to say in criticism of our fellow associates in their own unions for the position they took. But we are hopeful, frankly, that the committee and the Congress itself will not approve the administration "package." We believe this is entirely inadequate and we are not prepared to buy it.

Thank you, Mr. Chairman.

Mr. GOODMAN. Mr. Chairman, I would ask leave to make a statement. Although I have not been asked the "$64 question," I think I owe it to answer it.

Mr. UDALL. As the witness suspects, there was probably a reason why I didn't ask.

Mr. GOODMAN. I am sure there is. There is also a reason why I raise it. I have to be reelected, too. The reason we don't accept the administration's package is that it ignores the fundamental principle of equity. Let the administration come forward with guidelines on profits and dividends; let them assure us there will be no increase in prices and we will take our place along with all other Americans and sacrifice.

But no review of the record of the last 4 years on comparability can honestly arrive at any conclusion but that despite the merits of the administration's concern with inflation—so are we—this is an excuse, not a reason.

It was pointed out by a member of this committee that we will not get comparability this year or next year or any other year. We are on an economic merry-go-round and we will never get near the brass ring. I say with respect to Vietnam, I have a son in the Armed Forces, and one of the things my son is prepared to fight for is to advance the dignity and living standards of workers. This is part of the American concept, too. Because we do not have the right to strike, leading to a history of paternalism, this does not justify the paternalistic approach which says that among all the workers in America we cannot exceed 2.4 percent.

Nothing I say may have the slightest impact, but we must be honorable. The administration may impose it, but let the record be clear. National Postal Union does not agree with it.

Thank you, Mr. Chairman.

Mr. UDALL. Thank you, gentlemen. It is always a pleasure to have you before us. You presented your case very adequately.

The final witness was to be Mr. Fred O'Dwyer, accompanied by Mr. Daniel Jaspan. Gentlemen, we have a rigid schedule for all the different organizations. The Chair is prepared to hear you today. So you can either proceed now, or the subcommittee will reconvene at 1:30 or 2.

Mr. O'DWYER. We are prepared to come back this afternoon.

Mr. UDALL. I suspect the pressures now would be such that we wouldn't have a chance to develop your points as fully as we would this afternoon.

Would 1:30 be better than 2?

Mr. O'DWYER. It would be fine. Either time is all right with us.

Mr. UDALL. The subcommittee will meet again at 1:30. We stand adjourned until that time.

(Whereupon, at 12:05 p.m., the subcommittee recessed.)

AFTERNOON SESSION

Mr. UDALL. The Subcommittee on Compensation will come to order for further consideration of 1966 salary legislation.

Our final witness today is Mr. Fred J. O'Dwyer, president of the National Association of Postal Supervisors, accompanied by Donald N. Ledbetter, the secretary, and Mr. Jaspan of that association.

Gentlemen, if you will come forward to the witness table we will be happy to hear from you.

STATEMENT OF FRED J. O'DWYER, PRESIDENT, NATIONAL ASSOCIATION OF POSTAL SUPERVISORS, ACCOMPANIED BY DONALD N. LEDBETTER, NATIONAL SECRETARY, DANIEL JASPAN, LEGISLATIVE REPRESENTATIVE, AND CHARLES J. TURRISI, NATIONAL TREASURER

Mr. O'DWYER. Thank you. We also have our national treasurer here, Charles J. Turrisi.

Mr. UDALL. We are glad to have him.

Mr. O'DWYER. Mr. Chairman, I do want to express my appreciation for you scheduling this hearing this afternoon. Mr. Chairman, in the interest of time I will highlight my statement but ask that the full statement be made a part of the record including the two charts that I have at the end.

Mr. UDALL. Without objection, the entire statement of Mr. O'Dwyer and the two attached exhibits will appear in the printed record following his testimony.

You may proceed.

Mr. O'DWYER. Thank you, Mr. Chairman.

The Federal Salary Act of 1962 established the comparability principle. Briefly, Public Law 87–793 provides that Federal salaries shall be comparable with private industry based on annual surveys conducted by the Bureau of Labor Statistics.

Public Law 87–793 contained a postal field service salary schedule based on comparability. Due to budgetary limitations, it trailed some 1 to 3 years, comparability figures available at that time.

However, the principle which we had espoused for many years was established and blazed a new trail in salary bills. We assumed, and hoped, that this would be carried out fully in future bills.

Public Law 88–426 was an emaciated version of the proposal. Chart A, which is at the end of this testimony, shows at a glance how the principle of comparability was distorted by Public Law 88–426.

As can be readily seen in chart A, employees in the first four levels received salary increases of more than 6 percent. This is double the increase of 3.2 percent for level 7. The percentage decreased steadily in the higher levels, with level 10 receiving only a 2.6-percent increase.

Mr. UDALL. Your members are largely 6, 7, 8, and 9.

Mr. O'DWYER. Six through 17. We have confined this to level 13 because this comprises the greater bulk of our membership.

Mr. UDALL. I suppose most of the members are in the 6, 7, 8, and 9 levels.

Mr. O'DWYER. The bulk of our membership is in the 6, 7, 8, and 9. We have a few in 5, mostly assistants to postmasters, assistants to the superintendents, but the bulk are in 6, 7, 8, and 9.

This chart, we believe, is a graphic picture of the compression created in the middle levels and we feel, of course, and know, as a matter of fact, that that compression is still there at the present time.

It is difficult for anyone to maintain that comparability existed in this law. If anything, the reverse is true. The figures of the Bureau of Labor Statistics demonstrated that larger increases should have been applied to the middle and upper levels. Simple justice should have demanded no less than the same percentage increase for all levels.

This brings us to Public Law 89–301. The figures of the Bureau of Labor Statistics, based on 1964 comparability, showed that Federal employees needed from 3.5 in the lower grade to 11.1 in the upper grades to achieve comparability as of March 1964.

The across-the-board 3.6 salary increase granted in Public Law 89–301 did not close the gap. The lag continues, but has fallen further behind since salaries in industry had risen approximately 3 percent between the 1964 and 1965 report.

The salary proposals in most of the bills introduced this year are based on a straight 7-percent across-the-board increase. The 7-percent figure can certainly be justified in the lower levels, based on studies made by the Government agencies.

However, to achieve full comparability, more than 7 percent is needed in the middle and upper levels. H.R. 12838 meets this test. It contains a 7-percent increase for the first five levels and a gradually increasing percentage in levels 6 through 20. It will bring about current comparability for all levels in the postal field service.

We are certain the members of this committee endorse the principle of comparability. Only by the enactment of a salary bill with this salary schedule can it be achieved.

In 1962, as well as in 1964, 1965, and 1966, the Chairman of the Civil Service Commission, the Director, Bureau of the Budget, and Post Office Department officials have admitted the gap has been widening in the middle and upper levels.

H.R. 10281, which passed the House with an overwhelming majority last year, would have closed part of the gap if the provision for the second phase had been retained by the Senate. That would have

brought us nearer to comparability than we have ever come. However, as we all know too well, this feature was lost when the Senate acted.

The testimony of Mr. Macy and Mr. Murphy demonstrated the need for larger increase in the middle and upper levels. They stated that the administration proposals would go at least one-third on the road to comparability.

However, while bringing the first four PFS levels to 1965 comparability, there is no provision for an adjustment in PFS levels 6 through 9. On the same ratio as the lower and upper levels, a minimum increase of 3.2 to 3.4 percent is needed and approximately 5 percent in level 10.

Chart B, also at the end of the testimony, graphically discloses the imbalance in the administration proposals. The lower line is the administration proposal. You will note there is no adjustment for comparability until level 10.

We earnestly request this committee to increase the percentage to a more realistic figure. We feel this should be the year to embrace Operation Catch Up.

We reiterate, therefore, our recommendation to this committee of the enactment of the Hanley bill, H.R. 12838. If a compromise is necessary, we strongly recommend a provision to close at least half the comparability gap in any salary bill enacted this year, with provisions for a complete catch-up in 1967.

Employees in the postal field service have also fallen behind comparability with industry in the overtime provisions. H.R. 12240, H.R. 12288, and H.R. 12924, introduced by Congressmen Olsen, Daniels, and Cunningham, respectively, contain overtime provisions but they limit such payments to the first seven levels.

H.R. 12094, introduced by Congressman Krebs, and H.R. 12838, introduced by Congressman Hanley, provide time and a half for overtime payments for all employees who work more than 8 hours in 1 day, or on Saturdays.

This committee approved, and the House passed, H.R. 10281 last year. This bill provided for the mandatory payment of overtime through level 10. The Postmaster General was granted the option of paying overtime above level 10. This is another provision that was eliminated by the Senate. Public Law 89–301 limited the payment of overtime to PFS–7 and below, with payment to levels 8 through 14 at the option of the Postmaster General.

The Christmas season, as you know, is the heaviest mailing period of the year. Under the optional provision, the Post Office Department was reasonably liberal in authorizing payment of overtime to employees in PFS 8–14 during this time.

However, in certain areas limits were placed on the number of hours of overtime for employees in these levels but not in the lower levels. We have reports that some offices required lower level employees to work overtime on designated weekends, but did not permit PFS 8–14's to work.

What i more disturbing, however, is that under this optional authority employees in PFS 8–14 are, in many instances, detailed to a 6-day week.

Section 5(a) of Public Law 89–301 states "a basic workweek is established for all postal field service employees consisting of five

eight-hour days." The intent of Public Law 89-301, I am sure you gentlemen will agree, was that every regular postal employee would be assigned to a 5-day week. The law requires that regular employees in PFS-7 and below must be paid overtime for all hours in excess of eight each day and for work on the sixth and seventh day.

Public Law 89-116 provides for a 5-day week for postmasters. So what happens? In many cases the employee in PFS-8 and above is scheduled to a workweek of Monday through Friday and from 4 to 6 hours on Saturday.

As the law permits payment of overtime or compensatory time in these levels, he is granted a compensatory day off in the following week or within the next 30 days. In effect, the supervisor in PFS-8 and above is no more than a substitute. Gentlemen, we submit that this is a definite violation of Public Law 89-301, which establishes a basic workweek of five 8-hour days.

Mr. Murphy, in his statement, pointed out that supervisors in industry are not always granted overtime payments. We do not deny this. However, supervisors in industry are given other benefits and privileges that we do not receive in the postal service such as bonuses, stock options, paid membership in clubs, profit sharing, and many other benefits.

Aside from this, employees under the Classification Act in grades 1 through 9 are paid overtime, and above these grades at the rate of GS-9. There is, therefore, a precedent in the governmental service and we feel equity to our proposals for the payment of overtime in all levels of the PFS schedule.

We again strongly recommend the overtime provisions of H.R. 12094 and H.R. 12838.

Another part of H.R. 10281 which was approved by the House last year and eliminated on the Senate side, would have been a partial solution to the inequity whereby senior employees are placed in steps below the step of the junior employee promoted at a later date.

The section approved last year in H.R. 10281 applied only to senior employees promoted to a higher level between July 9, 1960, and October 13, 1962.

Section 5 of H.R. 12838, introduced by Congressman Hanley, will eliminate all inequities as no date restrictions are imposed. The Hanley bill provides that the senior employee who is in a step below that of a junior employee in his own office in the same level be advanced to the same step.

The enactment of this provision would be a tremendous boost to the morale of our members who receive less money than other supervisors who entered the service and became supervisors at a later date. The following gives some examples of supervisors with more seniority who are in lower steps than junior employees.

I will only cite the first two. You will note Mr. W. B. there was promoted in 1965, whereas Mr. W. K. entered the service approximately 4 months later, was promoted and a differential of $825 exists between these employees.

In the next example, Mr. R. N. H. entered the service in 1937. Mr. C. E. A. entered the service approximately 5 years later. He was promoted 2 years later. There is now $197 difference.

I believe these two cases would highlight the examples and many others that we have in our files.

Mr. UDALL. They are certainly striking examples and the others will appear in the record.

Mr. O'DWYER. Thank you.

We strongly urge the enactment of section 5 of H.R. 12838 to correct these glaring inequities.

Although the salaries at the top steps of the levels may look attractive, a very large number of supervisors will never reach that step. Under the present salary schedule, progression from step 7 to the top step is at 3-year intervals.

Supervisors are promoted from the rank-and-file employees. According to figures furnished by the Post Office Department, the average entry age of clerks and carriers is above age 30. Many of them do not become supervisors in less than 25 years. This brings the average age to at least 55, which is the optional retirement age.

If they are promoted to level 7, they are placed in step 6 and it then takes 13 additional years to reach the top step if they remain in level 7.

When an employee is promoted to level 7 he automatically drops back to a lower step. Many will never reach the top step of a new level because of the age factor. If he is promoted above level 7, he again drops back a step or more each time he is promoted which makes it even more difficult to reach the top step.

This situation is common only to the postal field service, where practically all of the employees enter in the lower levels. In other agencies, many employees enter the service in a supervisory or management grade because there are many more positions in those grades than in the postal service. Only 9 percent of all postal employees are in level 7 or higher, while 42 percent of the employees under the Classification Act are in grade 7 or higher.

A person who enters the classified service in the middle and upper grades would normally have little difficulty in reaching the top step of his grade. In the postal service, it is almost impossible. We urge this committee to study our recommendation that all steps in the postal field service schedule be at 1-year intervals.

When Chairman Macy of the Civil Service Commission and Mr. Roger Jones of the Bureau of the Budget testified on another bill earlier this year, they indicated that fringe benefits should not be considered piecemeal but would be part of the overall recommendations.

They also indicated that fringe benefits were more liberal in the the Federal service than in industry.

Last year Mr. Ewan Clague, who was Commissioner of Labor Statistics, appeared before this committee. He stated at that time that total expenditures for fringe benefits were approximately the same for white-collar employees in private industry and the classified employees in Government.

Mr. Clague also brought out the fact that expenditures or paid leave were slightly higher for Federal employees, but all other expenditures were higher for employees of private industries, including retirement, unemployment, and health benefit programs.

He stated that private industry employees receive some additions to payroll not available to Federal employees; for example, savings and thrift plans, year-end and other special bonuses.

According to Mr. Clague, one-fourth of the companies reporting such data paid all of the costs of health, accident, and life insurance plans. Three-fourths of those with contributory plans paid more than half the cost. The Federal contribution is much less than half.

A very important part of Mr. Clague's statement was that the Federal employee makes a larger contribution relative to basic salary to his health and retirement programs than the private employee—about 8.5 percent to about 6 percent. This shows that the Government lags far behind in comparability in fringe benefits, except for paid leave.

Without a bill on the fringe benefit proposals of the administration, it is not possible to state a position on each aspect. We do feel, however, that the life insurance proposals of Congressman Daniels and Congressman Matsunaga are equitable and should be enacted into law in this session.

As to the other aspects, we have read the President's message to Congress and can see nothing therein that warrants a 0.5-percent increase in our contributions to the retirement fund. Mr. Murphy stated that employee representatives who appeared before the Cabinet level committee agreed to an increase in the contributions. We certainly did not agree to any increase at that time, nor do we now agree. We are certain that those who were not opposed to such an increase expected a greater liberalization of benefits.

We did support granting of social security benefits to those employees who did not work enough years in civil service positions to establish eligibility for retirement benefits.

We are unalterably opposed to the agencies having the option of forcing employees with 30 years' service to retire. Even though this option is restricted to employees in GS–13 and above, which is equivalent to PFS–14 or 15, we cannot support it.

In the first place, it is difficult for any agency official to make an objective judgment of the value of an employee who has reached the 30-year, 55-age stage. There is a strong possibility, and even a probability, that these employees could suddenly find themselves expendable due to changes in the administration or even in the staffing of offices.

Mr. Murphy said that it is better to release the employee in this manner rather than begin an adverse action procedure. This is merely a matter of semantics. Adverse action would still be taken, but the employee would have no appeal rights or other protection. This would be the beginning of the end of the merit system and would undermine the whole civil service system. We strongly urge this committee to delete this proposal.

We are very disappointed with the health benefits proposal. Despite the fact that more and more industries are assuming the total cost of health benefits insurance, the administration merely proposes to increase its contributions by $1.06 per month until 1968. By that time, insurance costs will probably be increased and practically all of private industry will be paying 100 percent.

The percentage of the Government contributions has steadily declined from about 38 percent while industry has been increasing its share.

There is no good reason why the Government should not assume at least 50 percent of the cost.

The proposed effective date of January 1, 1967, would again widen the gap between salaries in industry and Federal salaries. The trend in industry is steadily upward. Despite the suggested guidelines, it is common knowledge that few, if any, union contracts provide less than a 4-percent increase.

We are asked not only to accept less practically a year from now, but we are asked to accept a salary schedule that is below comparable salaries according to figures already more than a year old. To keep the situation from becoming worse, the effective date should be January 1, 1966.

Although the administration has stressed budgetary considerations and the Vietnam situation as grounds for not proposing real comparability at this time, it is our firm opinion that we should not be penalized because we are employed by the U.S. Government.

We are as patriotic as any other Americans, but we object to being discriminated against by the postponement of comparability in salaries and fringe benefits while those employed in industry have constantly had increases in both—and the trend is continuing.

The administration witnesses have pointed to industry as precedent. However, they have not pointed out that salary increases and fringe benefits in industry have been much greater over the years.

We do not believe that this is the proper time to tie in salaries and fringe benefits as proposed. When we reach comparability in salaries and fringe benefits, we will be willing to accept package deals.

We strongly urge this committee to:

1. Report out a bill that will have a salary schedule based on current comparability, such as H.R. 12838, introduced by Congressman Hanley.
2. Extend overtime payments to all salary levels instead of confining them to the lowest seven levels.
3. Include a section to eliminate the growing number of inequities whereby the senior employee receives less money than the junior employee in the same level.
4. Have all step increases at 1-year intervals.
5. Eliminate any reference to increased employee contributions to the retirement fund unless additional meaningful benefits are included.
6. Liberalize the Life Insurance Act.
7. Eliminate any provisions to grant the agencies the option of retiring an employee who has reached the optional retirement age.
8. Increase Government contributions to at least 50 percent of the health insurance premiums.
9. Report a bill with an effective date no later than the enactment date.

We appreciate the opportunity of presenting our views and hope that the combined subcommittees will act favorably and promptly on our recommendations so that we will not again be thwarted in our continued quest for comparability.

Mr. UDALL. Thank you, Mr. O'Dwyer. You have presented a very forceful statement.

The gentleman from Hawaii.

Mr. MATSUNAGA. Mr. Chairman, Mr. O'Dwyer, you have heard the testimony of the other employee witnesses and in answer to questions put to them by me, they all agreed that with limited dollar

allocation for salary increases, they would prefer that the lower salaried employees be given the bigger dollar increases.

Do you agree with this proposition?

Mr. O'DWYER. Mr. Matsunaga, I certainly do not. I can understand the position they take, because they are representing the lower level employees. We are representing the employees in levels 5 and up, and certainly if you are going to add greater dollar increase to the lower levels, there is no question in my mind that you are going to distort the whole structure of the salary phase.

We certainly are not in agreement with a greater percentage in the lower levels nor in a dollar application to the lower levels, but feel that the full percentage increase should be applied which we feel is necessary and adequately demonstrated in chart B.

Mr. JASPAN. May I add, as Mr. O'Dwyer pointed out, fewer than 10 percent of the employees are in supervisory levels. The Post Office Department gave you figures that each 1 percent increase costs $42 million. That means for supervisors, each 1 percent would be $4 million.

Mr. OLSEN. Say that again.

Mr. JASPAN. Each 1 percent increase to the postal field service schedule is $42 million. The supervisors comprise less than 10 percent of the total number, which means that each 1 percent would be $4 million, roughly. If you took the 1 percent away from us and gave it to the four hundred and some thousand nonsupervisory employees it would give them $10 per year, not a week, but a year. That is 20 cents a week.

I am sure that the other organizations, if they figure that out, would not want to take this little bit away from us so they get 20 cents per week before taxes, which means about 15 cents a week after taxes. Or if you take the whole 3 percent away from us, that would give them $30 a year which is just a drop in the bucket.

In the meantime it would be penalizing us who have been pushed farther and farther from comparability to give them not even enough to buy a pack of cigarettes a week.

Mr. MATSUNAGA. What about the proposal to give a 3.2 percent across the board rather than have it graduated as the administration proposed, and have a bigger percentage of increase to the higher level employees?

Mr. JASPAN. Well, as I mentioned before, even if they gave the 4.5 percent increase, which is the maximum, if they took that all away, there are so few people that it wouldn't amount to much at all to the lower levels, because I am taking the whole PFS schedule, and in the schedule there are 437,000——

Mr. MATSUNAGA. No, my question was: Would you oppose a 3.2 percent across the board?

Mr. JASPAN. That would be much better than having a higher percentage in the lower levels and a lower percentage in the higher levels which I believe that you proposed earlier today. If it were the same percentage all the way across we couldn't oppose it as strongly as we oppose giving more to the lower levels and less to the higher.

Mr. MATSUNAGA. I realize that the comparability levels are getting wider and wider apart. But then on the basis of comparability again, I feel that the lower levels have been suffering, because in private in-

dustry for some reason the lower level employees have not enjoyed the pay increases as the higher level employees have.

Mr. JASPAN. Mr. Matsunaga, I think there are two principles involved here, whether you are going to figure on the principle of comparability which is the law or the principle of need which is not the law.

The principle of comparability: Everyone who has appeared before this committee has said they want comparability. If you are going to use that principle then we must use the figures that Mr. Murphy and Mr. Macy presented.

According to Mr. Murphy's figures, the first four levels would be brought up to 1965 comparability by this salary schedule, whereas our people would be behind the 1965 comparability with the schedule in amounts running from 1.2 to 9.2 percent. So if you are going to use the principle of comparability then we are far behind and this idea would push us even farther.

Mr. UDALL. Everyone is comparable but some are more comparable than others.

Mr. MATSUNAGA. The theory of comparability would definitely favor the supervisors, and then your observation that is, everybody is favoring comparability is in error; I believe after listening to the witnesses this morning and yesterday that they say comparability is a farce.

Mr. O'DWYER. If I can interrupt I did not get that impression from their testimony. I got the impression that they feel the linkage is a fallacy, but not the principle of comparability itself.

Mr. MATSUNAGA. Comparability as it has been put into operation.

Mr. O'DWYER. But not the comparability principle itself.

Mr. MATSUNAGA. Maybe you are right there.

Mr. OLSEN. You are both right.

Mr. MATSUNAGA. How many supervisors do you have now in numbers?

Mr. O'DWYER. 28,500 out of a possible 31,500.

Mr. MATSUNAGA. I was somewhat struck at the figure here. You say 9 percent of all postal employees are in level 7 or higher, while 42 percent of the employees under the Classification Act are in grade 7 or higher.

Mr. O'DWYER. This is factual and this is what creates the compression within the postal field service. There are only 9 percent—this includes our group and the Postmasters Association. Only 9 percent are above as compared to the 42 percent.

We feel and have maintained all along that we are inadequately staffed in the postal field service. We don't believe that we have sufficient management in the postal service. I think this is very evident when you compare the 9 percent in the postal field service with over 600,000 employees to the other Federal agencies who have 42 percent. We feel we are way understaffed in the managerial levels.

Mr. MATSUNAGA. Now let's take grade 7 level. He is the supervisor at grade 7?

Mr. O'DWYER. Yes.

Mr. MATSUNAGA. How many employees does he supervise?

Mr. O'DWYER. It varies. The greater bulk of the supervisors of mails may supervise anywhere from 20 to 45 employees.

Mr. MATSUNAGA. And in the classification service, how many would a GS–7 supervise?

Mr. O'DWYER. In private industry I think it is about 1 to 12, and I think this is about the average 1 to 10, 1 to 12.

Our service shows a ratio of about 1 to 18 but there are many small offices where we would have only 1 supervisor.

Mr. MATSUNAGA. What is the reason for this lag in the promotion to supervisory levels?

Mr. O'DWYER. You mean the number of supervisors?

Mr. MATSUNAGA. Yes.

Mr. O'DWYER. Well, I think it has been a result of economies over the years in the postal service, and an inability to get sufficient appropriations to properly staff. I believe this is what has put the postal service so far behind in the managerial areas.

Mr. MATSUNAGA. Has your organization agitated for increase in the number of supervisors?

Mr. O'DWYER. We have been agitating for that for many, many years, but we haven't been successful to this point.

Mr. LEDBETTER. There is a key position in the law, foreman of mails, level 7. The law says that this foreman of mails will supervise approximately 20 or more employees.

The Post Office Department has interpreted "approximately 20 or more employees" to mean as many as 40 employees.

In addition to this, there is no key position for foreman of carriers, and so a foreman of carriers in PFS–7 can supervise as many as 60 carriers without getting level 8.

We don't think it's right, and I don't think anybody else does, but this is what we are bound by.

Mr. MATSUNAGA. Let me ask you this as a followup: Do you suppose that by increasing the employees at the supervisory level you would be able to increase the efficiency down at the lower levels?

Mr. O'DWYER. No question about that. It would increase efficiency. I think this is one of the difficulties in the postal service today. There is not adequate supervision. When a supervisor has to supervise 40 employees it is just an impossible task. It is not compatible with private industry or other Federal agencies.

The spread is too great to give the individual attention that should be given to the supervision of employees.

Mr. MATSUNAGA. Has any legislation been introduced lately to provide for the increase in supervisory level employees?

Mr. O'DWYER. I understand the Post Office Department has made the recommendation to the Appropriations Committee, and the committee has apparently been critical of the increases that have been made. However, I don't think they have ever taken into consideration this wide disparity that exists between private industry, the classified service, and the Post Office.

We have increased over the last 4 or 5 years in the supervisory levels. There has been an increase, but it is nowhere in line with the increase that should be granted.

It is my understanding that the Appropriations Committee raises a question because of the number of supervisory positions that have been added to the postal service, not giving consideration to how much behind we are with private industry or with the Classification Act employees.

Mr. MATSUNAGA. Has any study been make by any Federal agency in this area?

Mr. O'DWYER. I understand that in the appropriations hearings last year a question was raised as to the ratio of supervisors to employees, and I believe the Post Office Department has engaged a firm to make this study. I am not too optimistic as to the outcome, frankly, because I understand the contract was limited to $40,000, and I don't believe that a study can be accomplished with that amount of money by a private firm to demonstrate the need for more supervisors. I am not too optimistic as to the outcome of this study.

Mr. JASPAN. Mr. Matsunaga, I would like to add that there have been studies made in industry of the number of people supervised by first-line employee. There are no recent studies but I have one that was made by the Bureau of National Affairs some years ago. They found in offices that the average number of employees supervised by first-line supervisors in the larger companies was from 1 to 25 employees, and the smaller companies from 4 to 30 employees, with the median 10 employees supervised by the first-line supervisors, which is the equivalent of our level 7.

That is about the only study that I know of that has actually been made of the subject.

Mr. MATSUNAGA. Mr. Chairman, I would strongly suggest if it is within the jurisdiction of this subcommittee or any other subcommittee of the Post Office and Civil Service Committee that such a study be instituted in the Postal Department, because I am shocked to hear that 1 supervisor takes care of as many as 40 subordinates.

Mr. O'DWYER. Sometimes it is more aggravated than that. If one is off sick he will have to double up and have 80 to supervise.

Mr. UDALL. This is a disturbing fact to me. The jurisdiction for such a study would fall within the confines of Mr. Dulski's or Mr. Olsen's rather than this subcommittee.

Mr. MATSUNAGA. We will probably be doing a favor for the National Association of Supervisors by increasing the membership potential.

Mr. O'DWYER. You would also be doing the rank and file members a favor. I think it is indicated that they have no place to go because of the few positions above. If there were more supervisory positions up above they would no longer be at a dead-end street.

You can very well see with 91 percent of the employees in the lower levels that they definitely are in a dead-end street. If the structure were greater at the top there would be a greater opportunity to get them out of this dead-end street and to permit them to progress to the supervisory levels.

Mr. MATSUNAGA. Is it true that to get to the supervisory level, there is no way to be appointed, except by rising from the ranks?

Mr. O'DWYER. They must have a minimum of 5 years' service in order to take an examination to progress to supervisory position. So in effect outsiders do not come into the postal service except in the regional office perhaps, but not in the post service per se.

Mr. MATSUNAGA. Well, this supports your contention that we ought to have more on the supervisory level. No wonder we are having difficulty in recruiting workers at the lower levels.

Mr. O'DWYER. This is true.

Mr. UDALL. Mr. Olsen.

Mr. OLSEN. It would seem that the only thing the letter carrier or clerk work for is retirement.

Mr. O'DWYER. This is about right. This is what the greater bulk of them are restricted to.

Mr. OLSEN. Ninety-one percent you say.

Mr. JASPAN. We might add that even when he becomes a supervisor, level 7, he usually stays in that level the rest of his life.

Mr. OLSEN. The fact is that we could increase the productivity of the Post Office Department very greatly with better leadership. I am talking about better leadership in more leaders.

Mr. O'DWYER. More numbers, that is right.

Mr. OLSEN. We wouldn't downgrade the qualifications at all. We would keep a high standard of qualifications but increase the number of those qualifying. We must probably do this from an authorization committee point of view. That is, we would authorize and direct the post office to increase the numbers of supervisory people by a ratio. I think that we have got to come to this. I think that when we go to a mechanical operation of the post office, we have got to have people who have the larger knowledge of the distribution of mail. We have got to have more of them to supervise the other people.

Mr. JASPAN. One way that could be done, Mr. Olsen, is that Congress would tell the Post Office Department to carry out the intent of Public Law 68, where it says supervises approximately 20 or more employees. Make them confine that closer to 20. In fact, until recently, even this ceiling wasn't there. They would go up 45, 50, and 60 employees for 1 man to supervise.

Mr. OLSEN. I am aware of that in places like Great Falls, Mont., and Spokane, Wash. They are cities of approximately 100,000, you know. When a supervisor has the day off, then the remaining supervisors have a greatly increased number of people to supervise.

Mr. UDALL. Often you have the day off for the poor fellow because you can't pay him overtime, the only way you can work him extra is to give him a compensatory day off.

Mr. MATSUNAGA. If the gentleman would yield.

Mr. OLSEN. Yes.

Mr. MATSUNAGA. Mr. O'Dwyer, if your staff would be willing to prepare an amendment to that act setting a maximum ceiling rather than the vague 20 or more——

Mr. OLSEN. It ought to be something like more than.

Mr. MATSUNAGA. I would be willing to introduce that, to call this matter to the attention of the administration that this we think was the intent of Congress.

Mr. O'DWYER. We certainly would be happy to prepare that.

Mr. MATSUNAGA. If we introduce a bill, maybe they will pay better attention to it than if we should write a letter to them.

Mr. O'DWYER. This would help considerably. I appreciate your thought.

Mr. OLSEN. You talk about overtime pay for all salary levels instead of confining it to the lowest seven levels. How high would you go with overtime pay before you would get to the person who is determining his own overtime?

Mr. O'DWYER. Well, it would depend on the size of the office. This would be pretty difficult to say. In a certain size office maybe a level 10 might be the determining authority. Generally in the larger

offices is where the bulk of overtime would be involved. It would be, say, in the area of PFS 13 or 14. In the bill introduced last year there was reference to PFS 10. We feel that to be equitable. If the line is to be drawn we feel it should be through PFS 10.

Mr. OLSEN. Where is the line now?

Mr. O'DWYER. At seven.

Mr. OLSEN. I see. Now, getting to No. 7 of your summation on page 10, obviously there, too, there would be people who would have authority to excuse themselves from retirement. At what level would we permit the Government to retire people at will?

Mr. O'DWYER. I don't feel there should be any area at which they should be permitted to retire people at will.

Mr. OLSEN. After 30 years.

Mr. O'DWYER. At any time we do not believe they should have this option. We feel there are already established procedures and means to displace people who are not qualified. It can be accomplished right now under present regulations. If you set an area where the agency can dismiss an employee, let's say, at certain age factor or as proposed by the administration, at 30 and 55, you are then permitting an agency to exercise their jurisdiction with no right of appeal. I think this is the important factor to bear in mind, that this would permit in a change of administration, we don't like to talk about politics, a change of administration could mean the wholesale departure of many of the people in the Federal service that are over 55, not by reason of lack of qualifications, but merely by reason of a change in the political atmosphere.

This certainly is a very dangerous precedent, I believe, to get into.

We don't believe there should be any place where the Government should have the option to exercise this provision. That there are adequate means now under the civil service regulations to discontinue the service of employees who fail to meet the qualifications.

Mr. OLSEN. I am not talking about the administration; I am talking about management, distinct from the present Democratic administration. I have come to know that the administrators of the Federal Government would like to permit people to retire at 55 on 30 years' service. But, before they will take that, they want the option to, in turn, encourage people to leave at 30 years.

Mr. O'DWYER. We understand the desire, but certainly are not in agreement with it. We are completely opposed to it.

Mr. OLSEN. You don't feel that it is worthwhile, even if it is a bargain?

Mr. O'DWYER. That is not a bargain. We would bargain away the 30–55.

Mr. UDALL. Will the gentleman yield?

Mr. OLSEN. Yes.

Mr. UDALL. I was impressed with your statement. I agree with you almost all the way down the line. This is one place, unfortunately, I don't agree. Since we have no time limitations this afternoon, if you will permit me at this point, I will state my reasons.

One of the great complaints that Congressmen and taxpayers have is that you have people who have been in office too long, a hardening of the bureaucratic arteries. We are also getting complaints to get action, to do the many things which should be done. So many times I find someone in a bureau who simply has run out of steam and

he won't move. You said there are procedures to get someone out who is not qualified, and that you may have a qualified man in the job.

We do a couple of opposite things. We complain at management because they won't manage and yet we won't give them the tools to do the job. In the key positions, GS–13 and above which are covered in this bill, I would not only want someone who was simply qualified, if I were running an agency, I would want someone who was highly qualified. Let's consider a qualified person who has run out of steam or isn't as good as someone below him. Without blanking his record or criticizing him in any way if you had a tool to enable you to let him go, I think it would be one of the best tools we could have. I don't think the level should to be reduced to seven or eight.

I know the argument is made that this would be a foot in the door. I wouldn't want to go below 13. If you can't even do it at that level, to get some people with some incentive, some people who maybe can see some hope some day that they may have a higher position, then I think you are in bad shape.

I think we did a fine thing last year when we gave an incentive to retire earlier and so many hundreds of thousands of people retired. In many, many agencies, the morale was improved. This is a small step, but I think it is an important step and one that I support.

Another argument is made that there will be personalities; there will be someone who doesn't like an individual, a higher supervisor. This is true. But if you balance on the one hand the right of management to manage, by giving them a tool to move some people out a little faster than otherwise, as against the possibility that occasionally this tool will be used for personal reasons, because of personality conflicts, it is more important to give management this tool.

So, while I accept your strong feelings, I can't agree with them. I certainly would say that from level 13 and above, management should have these rights. These are high-level people who generally have policymaking positions. They have served 30 years.

It shouldn't be necessary to have a reason; you should simply say we would like to start a movement of younger people up in the ranks and give them a chance to manage. I believe it is a fair bargain. I had hoped that you wouldn't oppose it, but I understand the strength of your feelings on the subject.

Mr. JASPAN. Mr. Chairman, I think that this whole argument is on a very weak basis. In the first place, you are assuming that when a man is 50 years old and has 30 years' service he is more likely not to be a good supervisor or manager or whatever you call him.

Mr. OLSEN. Can I interrupt you there? That isn't the presumption, Dan. That isn't the presumption. The point that Mr. Udall is making—and we have not talked of this, but I just sense it—that when a man is 50 years of age and has 30 years in the service, that he should be an outstanding leader by then, and if he isn't, management ought to be able to go look for somebody inside the service now, inside of the civil service system, inside of the merit system, management ought to be able to select somebody who is a leader.

Mr. UDALL. That is right.

Mr. OLSEN. We were looking for something that makes this system grow. We are talking about comparability, you know, and there

is nobody with a stronger feeling about this than I. But, in this Federal system we have got to be able to enlist the best leadership. And when we are talking about GS–13, we are talking about a field whereby we are entitled as citizens—never mind as leaders of the Government—we are entitled as citizens to demand that we have dynamic leadership. If we haven't got it, we have got to have an option, I think.

Mr. UDALL. Not just qualified, you want them to be highly qualified.

Mr. OLSEN. We want them to be leaders.

Mr. UDALL. You talked about the doors being closed to the poor letter carrier. If you had a tool where you could begin a little movement in 13 and above, you might have some movement in 12, 11, 10, and 7, and 6. This is a very modest step.

Mr. MATSUNAGA. If the gentlemen will yield.

Mr. OLSEN. I yield.

Mr. MATSUNAGA. This, as I understand it, is purely optional on the part of the Government.

Mr. UDALL. Yes.

Mr. MATSUNAGA. So that if the man in GS–13 or above proves himself to be that dynamic leader we are seeking, then there would be no reason for removing him.

Mr. UDALL. They are not about to let him go.

Mr. JASPAN. What we are afraid of is that subjective appraisal will be made. If we knew that objective appraisal could be made, then we wouldn't oppose it so much.

Mr. OLSEN. I understand your fears, but you know, politics isn't always bad, and you people certainly have it inside of administration, just as we have it in the legislative branch. It isn't always bad.

We are talking about high motives on the part of the leaders of the administrative agencies. They are trying to give the Nation the best kind of leadership and let those people who are really driving move ahead. And that is why my question is: Isn't there some level at which you people would agree that the administration should have the option to retire somebody on 30 years' service at 55 years of age; isn't there some level at which management should have that option?

Mr. O'DWYER. I would have to repeat again that we couldn't compromise on that issue at all. In my statement I pointed out the fact that the average clerk advances to a supervisory position. Generally, he is 30 years of age when he comes into the service. This is the statistics of the Post Office Department.

Mr. OLSEN. Thirty years of age when he comes into a supervisory position?

Mr. O'DWYER. Thirty years of age when he comes into the post office.

Mr. OLSEN. That is because of the veterans' preference.

Mr. O'DWYER. Not necessarily.

Mr. OLSEN. I think it is a big factor.

Mr. O'DWYER. When he comes into the service as an average, as we pointed out in our testimony, he is at least 40 to 50 when he reaches a level 7 position, because of the seniority factors involved. So now you are saying at 55 this poor fellow who hasn't had a chance to progress should be eased out of the service.

Let me point out another thing. You say that politics isn't a factor. It enters into the situation, however, in the appointment of postmasters. As you gentlemen well know, when a postmaster vacancy occurs there are a number of people aspiring for those positions. They are in competition perhaps with an outsider for the position. After the outsider gets the position and comes in he has not too pleasant a feeling toward the people who were candidates and opposed him, and he would probably feel inclined to take some action to ease these persons out of the competition when the examinations are pending or coming up. These are the dangers that are involved.

The other danger that I want to point out to the chairman is——

Mr. OLSEN. What level are you talking about now?

Mr. O'DWYER. Anybody can file for postmaster. It is generally the assistant postmaster in the office who is generally most qualified based on years of experience. He would be the one who perhaps would file for the position of postmaster, as a career employee.

Mr. OLSEN. I see. What level are they for the most part?

Mr. O'DWYER. Well, it would vary. It would depend upon the size of the office.

Mr. OLSEN. Do you have any ideas of figures?

Mr. O'DWYER. Well, in New York you would have assistant postmaster in level 17. In San Francisco it would be level 15.

Mr. LEDBETTER. Great Falls, probably 11.

Mr. O'DWYER. They vary from area to area.

Mr. OLSEN. I see.

Mr. O'DWYER. The other point that I wanted to make to the chairman is we agree with your thoughts on the subject, but the danger I see here is no avenue of appeal. You say summarily these people will be dismissed from the service. Under the civil service regulations there is an area of appeal. If there is an area of appeal this is a different question.

Mr. UDALL. My objection is very fundamental. If you appointed me postmaster of New York City, and demanded that I really do something to improve the mails, I couldn't do the job myself. My top team would be the people who would do it. Were you to move me in there and stick me with 8, 10, or 15, major assistants—people who have been there for 35 years, people who are opposed to my appointment, who think they know more than I do—and you'd say I couldn't retire some of them honorably and move up some people. If I can't even do this above level 13, my hands are tied. I have two cases in my district right now.

Mr. OLSEN. Mr. Chairman, you see your hands would be tied if you were appointed Postmaster General.

Mr. UDALL. That is right. You wouldn't think of doing this in private industry. If I were to take over Ford Motor Co. or any large corporation and you said to me that there are 10 or 12 people who have to carry out my program, but because they have been there for 30 years, I can't touch them. They can leave me, they can walk out and retire, but I can't touch a one of them. I think you would have the same kind of inefficiency in these business organizations that you have in some of the large post offices.

Mr. LEDBETTER. Mr. Chairman, it hasn't been too many years since postmasters were just wiped out when administrations changed and I don't think there was any attempt to keep the good ones or get

rid of the bad ones. There is a provision in the law now that will permit the Post Office Department or any agency to retire an employee if his job is discontinued. We have seen this provision used to get rid of people they didn't want, not because of any lack of efficiency but simply to give somebody else the job. We are in business to protect our members.

Mr. OLSEN. We are talking about moving somebody up. We are not talking about the——

Mr. LEDBETTER. Mr. Olsen, it would be the same thing.

Mr. UDALL. You should be able to do this in top management. In a complex difficulty with a new program and new enthusiasm to bear, I don't think you should tie management's hands by saying here are your major assistants and you can't touch a one of them.

Mr. OLSEN. I find that there is a great fear on the part of people in the administrative agencies that the politics of the Congress will move in. But, then, they can't deny that they have politics inside the administrative agencies.

Mr. JASPAN. We are worried about that, too.

Mr. OLSEN. You can't do anything about it. What can you do about it?

Mr. JASPAN. It is just as bad. This means that this would give them more leeway if they could get rid of these people they don't agree with. If they have a fair-haired boy they want to move up to GS–13, they could get rid of the GS–13 who is age 55 and has 30 years' service, and move up this boy who is in a lower grade.

Mr. OLSEN. Bring this back to Congress and let us nominate them then, then we would be right out in the open.

Mr. UDALL. You ought to be able to move your friends in certain positions. If I were made President of the United States, which is something which will never happen——

Mr. OLSEN. I am sorry to hear you say that. Really, I aspired for better things for you.

Mr. UDALL. Thank you.

An administration of the other party had just completed office, and you said to me here is your Cabinet, President Udall, congratulations and good luck, you can't touch a one of them. You would never hear of it. This is a ridiculous, hypothetical situation, but the principles are the same. You have to go down to some point where you say there ought to be a little flexibility. And I think this GS–13 proposal is certainly above that level of a reasonable leeway for administration.

Mr. TURRISI. Mr. Chairman, you made a point about being postmaster of New York and had this high-level staff that are incompetent. Suppose this same group of people were less than 55 years of age, what would you do then?

Mr. UDALL. Well, that is hard luck on my part. In private industry they would never hear of this. If they gave you a job as big as the New York postmaster they would allow you to pick your staff. I am willing to pay that price and say people under 55, you are stuck with them, but I don't think you ought to be stuck with all of them. I think you ought to have a little leeway.

Mr. TURRISI. Isn't it possible that the person with 30 years of service might be considered not so good?

Mr. UDALL. Not at all. I know two assistant postmasters. One of them hasn't done a day's work in the last 35 years. He depresses the morale and prevents the work from getting out.

I know another one who is a couple years older than he is, yet, there isn't a postmaster who would let him go on a bet. He can work with anybody and get along with anybody under any conditions.

Top management should be able to say to the former, "Go get another career where you may do very well."

Mr. OLSEN. In our capital city we have a man who was the assistant postmaster and a Republican and we moved him into the postmastership because he was so outstanding. It was one of the best things we had ever done because of the way he runs it—we have the headquarters of the Mountain State Tel. & Tel. and a bulk of mail along with some insurance companies. We needed somebody that really could run that post office, and he has stayed on.

We hope now out of his leadership we have got somebody else that we can move into postmaster. He is going to retire next year. This we knew of 2 years ago, but he was assistant postmaster and dynamic and a leader.

I say this, Mo, that a lot of people don't like him, but he sure runs the post office and we are very proud of him. I hope——

Mr. JASPAN. He is a member of our association.

Mr. OLSEN. Yes; he is a member of your association.

Mr. UDALL. That is probably why he is so good.

Mr. OLSEN. As a matter of fact the leaders of your organization are all good. Those that have visited me in my area, they are leaders and they want to make the postal service what we want to make it. But I think that we ought to do something about such a provision.

Maybe there are kinds of reviews. But I don't think the leadership of the Post Office ought to be hamstrung at this point now. Fifty-five years of age and 30 years of service, that is pretty tight.

Mr. UDALL. And GS-13.

Mr. OLSEN. Right.

Mr. O'DWYER. If you confined it to GS-13 and not PFS we might go along with you.

Mr. OLSEN. You know that the law of the land is still that a Governor of a State or the President of the United States can fire anybody. We have encroached on this a long, long way in establishing civil service and merit systems. I am not finding fault with civil service and merit systems. I think that they have been on the whole a wonderful contribution and we have eliminated some terrific evils.

Mr. UDALL. But you need a little give in the system.

Mr. OLSEN. There has to be some leeway for leadership and there has to be some leeway for the employee to gain recognition and to get a position of leadership.

Mr. TURRISI. We don't condone inefficiency, don't misunderstand our argument.

Mr. OLSEN. I'm sure you don't. You were pointing up the evils that might occur, and I don't think that they are as great as you think. That is our only difference, I think. I don't think the evils of the leeway we are looking for would be as great as you fear.

Mr. UDALL. I would hate to come in as a Congressman and be told, "Here is your staff. You can't touch them. They have to be loyal

to you and carry out your program, but under no terms or conditions can you touch one of them until he reaches 65."

Mr. JASPAN. Of course we are in favor of that above PFS–20.

Mr. LEDBETTER. If I may raise a point along that same line. I think we have been talking about high level supervisors in the local post offices. But we are thinking in terms of all supervisors. If the superintendent and his assistant in a station in a big, growing metropolitan area—and these are young 40-year-old, vigorous supervisors—have 40 clerks and carriers who are between 55 and 65 years of age, and yet are in the class you can't get rid of, there is no leeway there. Either they perform or you prefer charges.

We as supervisors are willing to stand up and face charges. We feel that the administration wants to be able to get rid of supervisors by doing away with the appeal procedures. If it is optional there would be no appeal.

Mr. UDALL. There shouldn't be, in my judgment. We have a fundamental difference on this. We ought to be able to say to the man, "You are qualified but you are not as qualified to carry out this job of important duties. I am not blackening your record or damaging your character. I am just saying it is time for you to retire."

Mr. O'DWYER. It won't ease his pain. If he was forced out it would be common knowledge.

One other point I want to make here. I mentioned 9 percent of all the postal employees. These are the people you are talking about. I mentioned, too, that they are approximately 55 years of age when they become supervisors. So what you are talking about is the latitude to remove all those people in almost all the top post offices in the country because almost all of them are 55.

Mr. UDALL. You are assuming that somebody is going to come in and wipe them out?

Mr. O'DWYER. This is what we are afraid of.

Mr. UDALL. That some maniac is going to want to get rid of all the expertise in his office? The fact that it does happen in a few cases would have a very wholesome effect on the morale and operation of the whole system.

Mr. O'DWYER. I don't like to admit my age, but I'm past this age we are talking about.

Mr. OLSEN. You don't look it.

Mr. O'DWYER. I hold a position as chief accountant with the San Francisco Post Office, PFS–14. I have the opportunity to go back to that position should I not be elected next national convention.

Mr. UDALL. Under some electoral misfortune.

Mr. O'DWYER. Since I have left, there has been a new postmaster. I may add, too, that there are a number of people in the San Francisco Post Office who are filling in my stead from a 14 to a 6 who perhaps won't be too happy to see Mr. O'Dwyer come back to the San Francisco Post Office because they will have to step down.

It may very well be that the new postmaster might very well say, "This gentleman is beyond the age. We don't want him to come back."

These are some of the dangers that are inherent in this, and I say if this is to be considered, that there should be an appeal process.

Mr. UDALL. Well, let me comment on that. You referred to this several times. In the first place, I would say they would be

crazy if they didn't take you back. But assuming the politics and personalities are such that they didn't, I don't view this language—and maybe we had better tighten it up—as meaning that anyone who is the immediate supervisor of a PFS–13 or above on his own without any review can involuntarily retire the person of 55 with 30 years. I would assume the procedure would be that the San Francisco postmaster would submit your name, assuming that what you fear occurs, to the region, among the list of his people who are over 55, 30 years, who ought to be retired. The list would go through channels to Washington. Final authority would only come from the personnel people here, and a good organization like yours would have an opportunity to be heard, if this is being done on a personal basis.

So that this is an appeal of sorts. I wouldn't want any appeal rights and hearings or anything else of this written into it, but I should think that in practice this wouldn't be the whim or the personal grudge of one man in operation. The Post Office Department would not delegate this out to every guy who happens to have a PFS–13 on his staff, that it would go up through channels and be subjected to some review.

Mr. O'DWYER. Our experience is that this would never occur. It would never occur. We have had too many experiences even in promotional appeals. Actually there is no such thing as promotional appeal.

Mr. UDALL. While you are drawing language, get me some language that would require any action under this procedure to be taken only in Washington and not in the regional offices.

Mr. OLSEN. Let's talk about it. I think this is good.

Mr. MATSUNAGA. Upon the recommendation of the postmaster approved by the regional office and finally approved in Washington.

Mr. OLSEN. It would have to be affirmatively reviewed by the regional office and so on. Well, let's talk about it now, because you have got our thinking. Is that fair enough?

Mr. JASPAN. Let me tell you, Mr. Olsen. One of the reasons we are so much afraid of this, we have had all kinds of experiences in the post office even back in the days when the employee had to be graded every 6 months.

One employee would have three supervisors over him, and each one of his three supervisors would rate him a different way. They had five different items to rate them on. I saw one of the neatest men I ever saw working in the post office rated 80, and he asked his boss if he needed to be there dressed in a tuxedo.

Mr. UDALL. The Chair doesn't want to foreclose discussion here today, and I wanted to say to my friends that frequently we have been unable to give you a choice location of witnesses, and I was a little alarmed about having to put you off this afternoon, but I think with three of our best members here today——

Mr. OLSEN. Thank you.

Mr. UDALL. We have been able to explore leisurely and at some length a lot more of the problems than we would have if we had tried to rush you through this morning.

Mr. O'DWYER. We appreciate it.

Mr. MATSUNAGA. One point of clarification here. In your example of the average postal worker, you said he comes in at 30 and he works

30 years; he would be 60, not 55, so he wouldn't be subject to this optional action on the part of the Government until he reached 60.

Mr. LEDBETTER. I believe the statement said 25 years.

Mr. OLSEN. No; we are talking about 30 years and 55 years of age.

Mr. LEDBETTER. Mr. O'Dwyer was talking about 30 years entrance into the service and 25 years later he becomes a supervisor.

Mr. MATSUNAGA. But then he wouldn't be subject to this dismissal action until he reaches 60, because he would not have had 30 years until he becomes 60.

Mr. LEDBETTER. But he would have only been a supervisor 5 years.

Mr. OLSEN. Of course that is what we want him to be in his prime. Now that is getting back to the Udall position and my position incidentally is this: I think that we must look to the supervisors for the best kind of leadership, not the best politics, not at all; the best kind of leadership is what we are talking about.

Mr. UDALL. If we had a little more movement you would move your people up faster through the ranks. They would be supervisors in the prime of life in the forties and fifties.

Mr. OLSEN. That is another subject. I am going to open that right this minute. Take Great Falls, Mont., again. They have a fine Air Force base there. These people come out retired from the military service and they go to work for the Post Office Department. Now they are in their forties. They start carrying the mail and the supervisor says that this fellow can't carry that big a mail route, so they tailor the mail route for this veteran. Then, someone who is a senior veteran and postal carrier, he looks at that route and he bids it so he gets a route that he can take with ease. He is probably a younger man.

So in this situation we are talking about now we have got to be talking about veterans' preference, too. Incidentally, veterans' preference moves in on temporary employees and substitutes who have been loyal to the Post Office. The veteran comes in and moves in ahead of the temporaries. I mean the war veteran.

Mr. UDALL. I hold a lot of minority opinions around here many times, but one of the opinions I have is that we have overdone this veterans' preference business.

Mr. OLSEN. I think that we have. We have made it too big a bracket, without any qualifications whatsoever. I think this enters into this situation we are talking about. The men who move up, out of the postal service, the supervisory service, ought to move into supervisory service at a younger age, as a matter of fact. We should have some protection for these people. I want to do away with the word "temporary" or "substitute." I would like young people to move into the Post Office and have a period during which they pass the test. After a number of hours in a year, then they are permanent employees.

Never mind this old nonsense about temporary or substitute. After they have passed a test period, then they are permanent. Then veterans' preference wouldn't move in ahead of them. They would be established employees in the Department.

I would like you fellows to think that over and help us out with it.

Mr. UDALL. Mr. Matsunaga, did you have something further?

Mr. MATSUNAGA. Do we have any more witnesses?

Mr. UDALL. No; we are about to conclude. We are just having a little friendly philosophy. I was going to call on Mr. Buchanan in a moment. I wanted to make a friendly philosophy to change the subject. We were trying to determine what the other organization leaders mean in attacking the comparability and saying that it was a dead letter. No one has appeared here and said that comparability is a bad idea. They have said that it is a good idea. But our machinery and our ability to carry out comparability has failed.

If we could have true comparability in all grades, I don't think there is any employee leader who would not give it a cheer.

This brings me back to the point I made last year. No one seemed to like Mr. Macy's idea of semiautomatic raises, but the more I see around here, the more I am for developing a plan where we have one last pay fight. We get the law passed, and every year, regardless of the budget, regardless of war or peace, regardless of the particular problems that crowd the congressional agenda, we give each grade full comparability.

There are a lot of bugs in the machinery. There are many ways in which the particular proposal is inadequate. But I would like to see some machinery developed so that we have full comparability.

If we had retained the House proposal, that second stage, last year, we wouldn't have this problem. We would be pretty close to comparability.

Mr. OLSEN. I subscribe to what you say. But the fact of the matter is the Bureau of the Budget is determining what Macy comes up here and recommends, and this is the fallacy comparability. The Bureau of the Budget is dictating it instead of the law of the land.

I resent very much the fact that not only does Macy pretend to come up here and give us a phony comparability, but on top of that, he comes up here and wants to amend the rules of our committee and take compensation, retirement, health, and insurance and put them all in one package and turn us into something that is not lawful—guidelines. Guidelines is not the law of the land.

Mr. UDALL. The gentleman shouldn't blame Mr. Macy for the packaging entirely.

Mr. OLSEN. I blame him because he is the only one who has been here so far. When someone else gets up here I will blame them.

Mr. UDALL. I hope the gentleman will have the opportunity to do so.

Mr. OLSEN. I will be here.

Mr. UDALL. But the fact remains as long as we insist that Congress do this job every year we are at the mercy of particular Presidents, particular Budget Bureau Directors, particular events, particular budgetary requests, the atmosphere in the Congress, and the country.

We ought not to be at the mercy of those sorts of things. We ought to have full comparability in every grade every year, without going through all this.

Mr. Buchanan?

Mr. BUCHANAN. Gentlemen, I have arrived about in time to bid you all good day. But I will read your statements, and I associate myself with the remarks just made by Mr. Udall.

I voted for this thing last year and thought it was a good thing and still wish it had passed.

Mr. JASPAN. Mr. Chairman, there is a little technicality here in looking over the retirement committee proposals. They say a man of 55 years of age and 30 could retire, or a man 60 years of age with 20 years of service. But a man that is 59 years old and has 29 years' service cannot retire according to that.

I think the committee should look into the fact that this man can't qualify under either. He has more than 20 years of service, but he is not 60, and he can't qualify under the other with 30 years' service and age 55.

Mr. MATSUNAGA. Is that in the proposed bill?

Mr. UDALL. It is necessary to adopt some arbitrary cutoff if you are going to adopt this principle. You have to have cutoffs both as to age and service. When you get on the borderline you get into some inconsistent positions, but it is a matter of degree, I suppose.

Mr. O'DWYER. Mr. Chairman, I was anticipating that you were going to ask that question of me that you did of some of the other organizations, and I had prepared a statement on that and I feel that this would be the proper time to place it in the record.

Mr. UDALL. I welcome it, and I have no idea what you are going to say.

Mr. O'DWYER. The question of patriotism has been raised as relates to the proposals presented by the administration. I want to say that the patriotism of our association is beyond question.

Mr. UDALL. No doubt about it.

Mr. DWYER. Many of our members are veterans of World War II, Korean conflict, and some of them are even involved in the Vietnam situation. Vivid in their minds is the vacuum in salary increases during the period 1925 to 1945 and the sacrifice that many made in World War II, the Korean conflict, and now in Vietnam. They are conscious of the delicate situation in Vietnam and we all pray for an early peace. Yet authoritative sources have said this conflict could go on for 10 or 20 years. We agree with Congressman Olsen that the possibility next year of a salary adjustment is remote, and we raise the question as to whether we are to again wait for 10 to 20 years for comparability.

We agree, too, with Congressman Krebs that if the inflationary situation is as bad as claimed that controls on all facets should be exercised. They should not be confined to the Federal employees who are far behind private industry as a result of continual increases granted to them over the years, and the failure of the Government to fulfill their obligation as provided in the law establishing the comparability principle.

If the administration proposals provided for comparability in the middle and upper levels as it is purported to do in the lower levels, it would be easy for me to accept the administration proposal. But in all good conscience I cannot agree with the administration proposals unless a provision is included for comparability in levels 6 and above or at least one-half comparability in this session of Congress.

Mr. UDALL. Thank you, Mr. O'Dwyer. Thank you very much for a most helpful presentation.

(The full text of Mr. O'Dwyer's statement follows:)

PREPARED STATEMENT OF FRED J. O'DWYER

Mr. Chairman and members of the Subcommittees on Compensation, and on Retirement, Insurance, and Health Benefits.

My name is Fred J. O'Dwyer. I am president of the National Association of Postal Supervisors, composed of more than 28,500 postal supervisors. Our members are employed in post offices, post office vehicle installations, and railway and highway post offices located in all of the 50 States and in Guam, Puerto Rico, and the Virgin Islands. I am accompanied by our national secretary, Donald N. Ledbetter and our legislative representative, Daniel Jaspan.

We are grateful to President Johnson and the administration for their interest in the principle of comparability as established by Public Law 87–793 enacted in 1962, and to the chairman and members of this subcommittee for scheduling early hearings this year on this subject. We also appreciate the interest in salary legislation of Congressmen Krebs, Olsen, Daniels, and Cunningham, who have introduced bills providing 7-percent salary increases in all levels. These bills also contain overtime provisions, which we will comment on later. All embrace comparability. It is limited, however, to the five lowest levels. A 7-percent increase is the minimum amount needed for current comparability in the lower levels but greater percentage increases are required in the middle and upper levels if the principle is to maintain.

The only salary bill introduced at this time which provides true comparability for all PFS salary levels is H.R. 12838, introduced by Congressman Hanley. This bill is based on the figures supplied by the Bureau of Labor Statistics. We endorse H.R. 12838 100 percent.

WHAT IS COMPARABILITY?

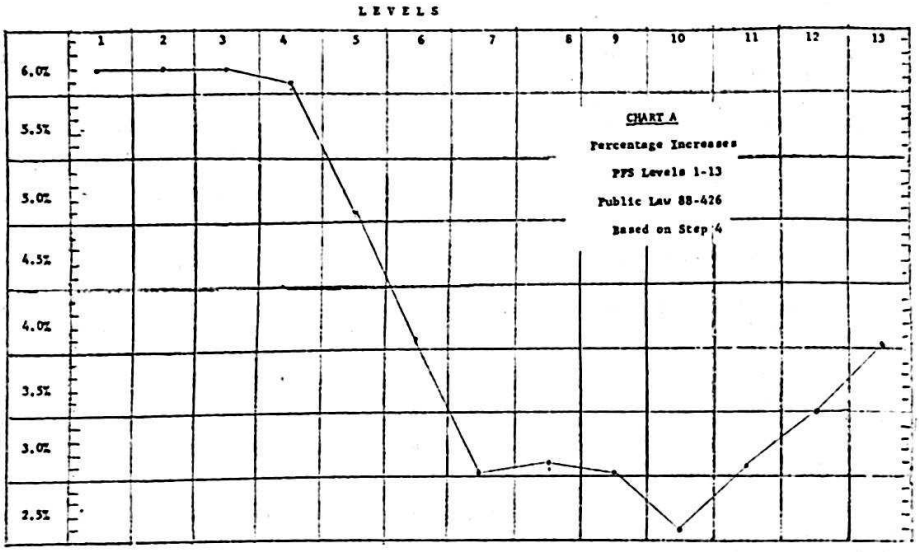
The Federal Salary Act of 1962 established the comparability principle. Briefly Public Law 87–793 provides that Federal salaries shall be comparable with private industry, based on annual surveys conducted by the Bureau of Labor Statistics. These surveys have shown that the middle and upper levels have been dropping further and further behind their counterparts in private industry. Moreover, testimony before this committee last year and this year clearly establishes this fact.

Public Law 87–793 contained a postal field service salary schedule based on comparability. Due to budgetary limitations, it trailed from 1 to 3 years, comparability figures available at that time. However, the principle which we had espoused for many years was established and blazed a new trail in salary bills. We assumed and hoped that this would be carried out fully in future bills.

COMPARABILITY WEAKENED

Our expectations received a staggering blow when Public Law 88–426, the Federal Employees' Salary Act of 1964, was enacted. Although bills were introduced to carry out the principle of comparability in all levels, the one finally enacted was an emaciated version of the original proposals. This was caused by the much larger increases granted to the first five levels and not to postal supervisors and others in the remaining levels. Chart A shows at a glance how the principle of comparability was distorted by Public Law 88–426. It illustrates the percentage increases for the first 13 levels which comprise about 99 percent of the employees in the postal field service.

As can readily be seen in chart A, employees in the first four levels received salary increases of more than 6 percent. This is double the increase of 3.2 percent for level 7. The percentage decreased steadily in the higher levels, with level 10 receiving only a 2.67 percent increase. Dollarwise, the level 4 employees received $320 while the first-line (level 7) supervisor received only $205. No supervisor below level 12 received as much percentage or dollar increase as the level 4 employees. This is a graphic picture of the compression created in the middle levels and, gentlemen, that compression is still there.



It is difficult for anyone to maintain that comparability existed in this law. If anything, the reverse is true. The figures of the Bureau of Labor Statistics demonstrated that larger increases should have been applied to the middle and upper levels. Simple justice should have demanded no less than the same percentage increase for all levels.

We do not deny that the more than 6-percent increase for clerks-carriers and other employees was justified. However, there was ample evidence that greater increases were required for supervisory levels. We maintain that any equitable salary schedule based on the principle of comparability, must show a larger increase in the higher levels where the duties and responsibilities are greater. This not only carries out the intent of the law but is good personnel practice.

BLS FIGURES

This brings us to Public Law 89-301. The figures of the Bureau of Labor Statistics, based on 1964 comparability, showed that Federal employees needed from 3.5 percent in the lower grades to 11.1 percent in the upper grades to achieve comparability as of March 1964. The across-the-broad 3.6 percent salary increase granted in Public Law 89-301 did not close the gap. The lag continues but has fallen further behind since salaries in industry had risen approximately 3 percent between the 1964 and 1965 report.

1966 SALARY PROPOSALS

As mentioned above, the salary proposals in most of the bills introduced this year are based on a straight 7-percent across-the-board increase. The 7-percent figure can certainly be justified in the lower levels, based on studies made by the Government agencies. However, to achieve full comparability, more than 7 percent is needed in the middle and upper levels. H.R. 12838 meets this test. It contains a 7-percent increase for the first five levels and a gradually increasing percentage in levels 6 through 20. It will bring about current comparability for all levels in the postal field service. We are certain the members of this committee endorse the principle of comparability. Only by the enactment of a salary bill with this salary schedule can it be achieved.

The members of this committee are familiar with the history of salary adjustments throughout the years. We know you realize that we in the postal field service have never achieved current comparability, nor have we ever come really close. It has been our misfortune to have fallen far behind current comparability throughout the years. The achievement of this goal has always been thwarted by budgetary or other considerations. The only way to end this inequity is by passing a salary bill with the salary schedule of H.R. 12838.

ADMINISTRATION TESTIMONY

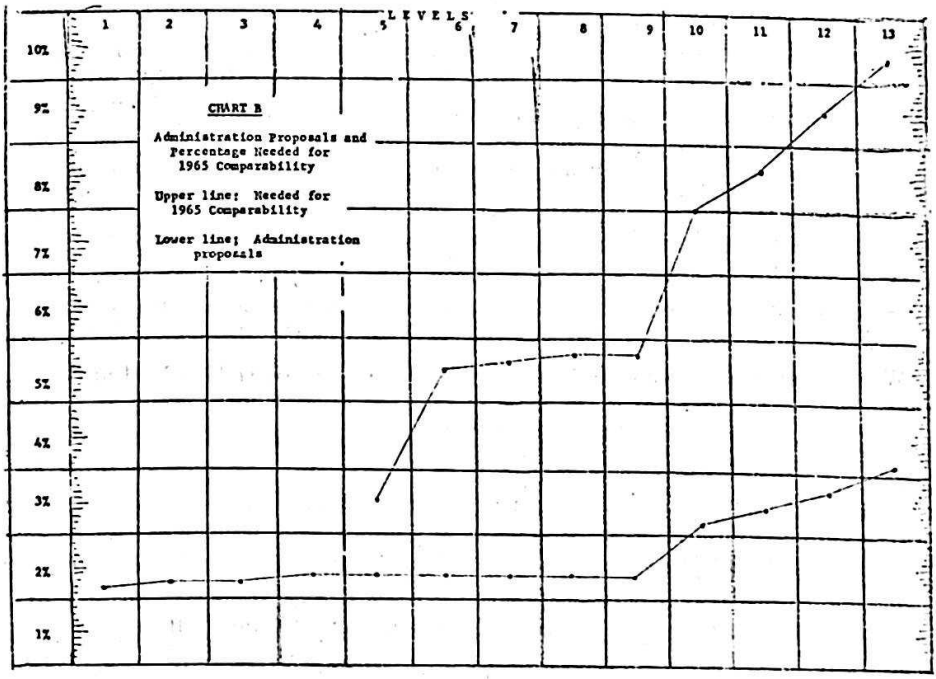
In 1962, as well as in 1964, 1965, and 1966, the Chairman of the Civil Service Commission, the Director, Bureau of the Budget, and Post Office Department officials have admitted the gap has been widening in the middle and upper levels. H.R. 10281, which passed the House with an overwhelming majority last year, would have closed part of the gap if the provision for the second phase had been retained by the Senate. That would have brought us nearer to comparability than we have ever come. However, as we all know too well, this feature was lost when the Senate acted.

The recommendations of the administration to this committee on salary will not adjust the lag in the middle levels. Employees in the middle and upper levels are far behind their counterparts in private industry. We appreciate that budgetary consideration is a factor. But this is the history of every piece of salary legislation. If we are ever to catch up, the percentage increase must be greater than that proposed by the administration for the middle and upper levels.

The testimony of Mr. Macy and Mr. Murphy demonstrated the need for larger increase in the middle and upper levels. They stated that the administration proposals would go at least one-third on the road to comparability. However, while bringing the first four PFS levels to 1965 comparability, there is no provision for an adjustment in PFS levels 6 through 9. On the same ratio as the lower and upper levels, a minimum increase of 3.2 to 3.4 percent is needed and approximately 5 percent in level 10.

Chart B graphically discloses the imbalance in the administration proposals. The lower line is the administration proposal. You will note there is no adjustment for comparability until level 10. Levels 6 through 9 are the bulk of the middle level employees. The upper line clearly establishes the inequity of the administration proposals.

We earnestly request this committee to increase the percentages to a more realistic figure.



We are convinced that now is the time to bring salary levels comparable with private industry. This should be the year to embrace the slogan "Operation Catchup." We reiterate, therefore, our recommendation to this committee of the enactment of the Hanley bill, H.R. 12838. If a compromise is necessary, we strongly recommend a provision to close at least half the comparability gap in any salary bill enacted this year, with provisions for a complete catchup in 1967.

60-359—66——12

OVERTIME

Employees in the postal field service have also fallen behind comparability with industry in the overtime provisions. H.R. 12240, H.R. 12288, and H.R. 12924, introduced by Congressmen Olsen, Daniels, and Cunningham, respectively, contain overtime provisions but they limit such payments to the first seven levels. H.R. 12094, introduced by Congressman Krebs, and H.R. 12838, introduced by Congressman Hanley, provide time and a half for overtime payments for all employees who work more than 8 hours in 1 day, or on Saturdays. This committee approved, and the House passed, H.R. 10281 last year. This bill provided for the mandatory payment of overtime through level 10. The Postmaster General was granted the option of paying overtime above level 10. This is another provision that was eliminated by the Senate. Public Law 89–301 limited the payment of overtime to PFS–7 and below, with payment to levels 8 through 14 at the option of the Postmaster General.

The Christmas season, as you know, is the heaviest mailing period of the year. Under the optional provision, the Post Office Department was reasonably liberal in authorizing payment of overtime to employees in PFS 8–14 during this time. However, in certain areas limits were placed on the number of hours of overtime for employees in these levels but not in the lower levels. We have reports that some offices required lower level employees to work overtime on designated weekends, but did not permit PFS 8–14's to work. What is more disturbing , however, is that under this optional authority employees in PFS 8–14 are, in many instances, detailed to a 6-day week.

Section 5(a) of Public Law 89–301 states "a basic workweek is established for all postal field service employees consisting of five eight-hour days." The intent of Public Law 89–301, I am sure you gentlemen will agree, was that every regular postal employee would be assigned to a 5-day week. The law requires that regular employees in PFS–7 and below must be paid overtime for all hours in excess of eight each day and for work on the sixth and seventh day. Public Law 89–116 provides for a 5-day week for postmasters. So what happens? In many cases, the employee in PFS–8 and above is scheduled to a workweek of Monday through Friday and from 4 to 6 hours on Saturday. As the law permits payment of overtime or compensatory time in these levels, he is granted a compensatory day off in the following week or within the next 30 days. In effect, the supervisor in PFS–8 and above is no more than a substitute. Gentlemen, we submit that this is a definite violation of Public Law 89–301, which establishes a basic workweek of 5 eight-hour days.

Mr. Murphy, in his statement, pointed out that supervisors in industry are not always granted overtime payments. We do not deny this. However, supervisors in industry are given other benefits and privileges that we do not receive in the postal service such as bonuses, stock options, paid membership in clubs, profit sharing, and many other benefits. Aside from this, employees under the Classification Act in grades 1 through 9 are paid overtime, and above these grades at the rate of GS–9. There is, therefore, a precedent in the governmental service and we feel equity to our proposals for the payment of overtime in all levels of the PFS schedule.

We again strongly recommend the overtime provisions of H.R. 12094 and H.R. 12838.

JUNIOR-SENIOR INEQUITIES

Another part of H.R. 10281 which was approved by the House last year and eliminated on the Senate side, would have been a partial solution to the inequity whereby senior employees are placed in steps below the step of the junior employee promoted at a later date. The section approved last year in H.R. 10281 applied only to senior employees promoted to a higher level between July 9, 1960, and October 13, 1962.

Section 5 of H.R. 12838, introduced by Congressman Hanley, will eliminate all inequities as no date restrictions are imposed. The Hanley bill provides that the senior employee who is in a step below that of a junior employee in his own office in the same level be advanced to the same step. The enactment of this provision would be a tremendous boost to the morale of our members who receive less money than other supervisors who entered the service and became super-

visors at a later date. The following gives some examples of supervisors with more seniority who are in lower steps than junior employees:

Employee	Entered service	Promoted to present position	Now in level—	Annual salary	Salary differential
W. B.	Aug. 8, 1931	Feb. 1, 1965	10-3	$8,660	$825
W. K.	Aug. 1, 1941	June 19, 1965	10-6	9,486	
R. N. H.	May 5, 1937	Apr. 1, 1963	6-9	7,517	197
C. E. A.	Dec. 14, 1942	Mar. 1, 1965	6-10	7,714	
W. R. J.	Oct. 7, 1937	July 31, 1965	7-7	7,633	212
A. P. H.	Apr. 17, 1940	Jan. 31, 1966	7-8	7,845	
W. L. M.	Nov. 12, 1945	Apr. 28, 1962	7-7	7,633	212
D. J. N.	Sept. 25, 1948	Nov. 6, 1965	7-8	7,845	
D. J. P.	Jan. 27, 1943	Apr. 14, 1962	7-7	7,633	636
P. F. K.	Sept. 27, 1943	Oct. 9, 1965	7-10	8,269	

We strongly urge the enactment of section 5 of H.R. 12838 to correct these glaring inequities.

STEP INCREASES

Although the salaries at the top steps of the levels may look attractive, a very large number of supervisors will never reach that step. Under the present salary schedule, progression from step 7 to the top step is at 3-year intervals.

Supervisors are promoted from the rank and file employees. According to figures furnished by the Post Office Department, the average entry age of clerks and carriers is above age 30. Many of them do not become supervisors in less than 25 years. This brings the average age to at least 55, which is the optional retirement age. If they are promoted to level 7 they are placed in step 6 and it then takes 13 additional years to reach the top step if they remain in level 7. At this point, the employee would be very close to the mandatory retirement age. He could not possibly serve 5 years in the top step of his salary grade and establish the necessary "high 5" average for retirement purposes. When an employee is promoted to level 7 he automatically drops back to a lower step. Many will never reach the top step of a new level because of the age factor. If he is promoted above level 7, he again drops back a step or more each time he is promoted which makes it even more difficult to reach the top step.

This situation is common only to the postal field service, where practically all of the employees enter in the lower levels. In other agencies, many employees enter the service in a supervisory or management grade because there are many more positions in those grades than in the postal service. Only 9 percent of all postal employees are in level 7 or higher, while 42 percent of the employees under the Classification Act are in grade 7 or higher. A person who enters the classified service in the middle and upper grades would normally have little difficulty in reaching the top step of his grade. In the postal service, it is almost impossible. We urge this committee to study our recommendation that all steps in the postal field service schedule be at 1-year intervals.

FRINGE BENEFITS

When Chairman Macy of the Civil Service Commission, and Mr. Roger Jones of the Bureau of the Budget, testified on another bill earlier this year, they indicated that fringe benefits should not be considered piecemeal but would be part of the overall recommendations. They also indicated that fringe benefits were more liberal in the Federal service than in industry. Last year Mr. Ewan Clague who was Commissioner of Labor Statistics, appeared before this committee. He stated at that time that total expenditures for fringe benefits were approximately the same for white collar employees in private industry and the classified employees in Government. All other expenditures were higher for employees of private industries, including retirement, unemployment, and health benefit programs. He stated that private industry employees receive some additions to payroll not available to Federal employees; for example, savings and thrift plans, yearend and other special bonuses.

According to Mr. Clague, one-fourth of the companies reporting such data paid all of the costs of health, accident, and life insurance plans. Three-fourths of those with contributory plans paid more than half the cost. The Federal contribution is much less than half.

A very important part of Mr. Clague's statement was that the Federal employee makes a larger contribution relative to basic salary to his health and retire-

ment programs than the private employee—about 8.5 percent to about 6 percent. This shows that the Government lags far behind in comparability in fringe benefits, except for paid leave.

Without a bill on the fringe benefit proposals of the administration, it is not possible to state a position on each aspect. We do feel, however, that the life insurance proposals of Congressmen Daniels and Matsunaga are equitable and should be enacted into law in this session.

As to the other aspects, we have read the President's message to Congress and can see nothing therein that warrants a 0.5-percent increase in our contributions to the retirement fund. Mr. Murphy stated that employee representatives who appeared before the Cabinet-level Committee agreed to an increase in the contributions. We certainly did not agree to any increase at that time, nor do we now agree. We are certain that those who were not opposed to such an increase expected a greater liberalization of benefits. We did support granting of social security benefits to those employees who did not work enough years in civil service positions to establish eligibility for retirement benefits.

We are unalterably opposed to the agencies having the option of forcing employees with 30 years' service to retire. Even though this option is restricted to employees in GS–13 and above, which is equivalent to PFS–14 or 15, we cannot support it. In the first place, it is difficult for any agency official to make an objective judgment of the value of an employee who has reached the 30-year, 55-age stage. There is a strong possibility, and even a probability, that these employees could suddenly find themselves expendable due to changes in the administration or even in the staffing of offices. Mr. Murphy said that it is better to release the employee in this manner rather than begin an adverse action procedure. This is merely a matter of semantics. Adverse action would still be taken, but the employee would have no appeal rights or other protection. This would be the beginning of the end of the merit system and would undermine the whole civil service system. We strongly urge this committee to delete this proposal.

HEALTH BENEFITS

We were very disappointed with the health benefits proposal. Despite the fact that more and more industries are assuming the total cost of health benefits insurance, the administration merely proposes to increase its contributions by $1.06 per month until 1968. By that time, insurance costs will probably be increased and practically all of private industry will be paying 100 percent. Is this the much-discussed comparability? The percentage of the Government contributions has steadily declined from about 38 percent while industry has been increasing its share. The proposals do not even suggest a percentage figure, but a dollar figure which will leave the employees even further behind as the cost of hospitalization and medical expenses continue their upward trend. There is no good reason why the Government should not assume at least 50 percent of the cost.

EFFECTIVE DATE

The proposed effective date of January 1, 1967, would again widen the gap between salaries in industry and Federal salaries. The trend in industry is steadily upward. Despite the suggested guidelines, it is common knowledge that few, if any, union contracts provide less than a 4-percent increase. We are asked not only to accept less practically a year from now but we are asked to accept a salary schedule that is below comparable salaries according to figures already more than a year old. To keep the situation from becoming worse, the effective date should be January 1, 1966.

CONCLUSION

Although the administration has stressed budgetary considerations and the Vietnam situation as grounds for not proposing real comparability at this time, it is our firm opinion that we should not be penalized merely because we are employed by the U.S. Government. We are as patriotic as any other Americans, but we object to being discriminated against by the postponement of comparability in salaries and fringe benefits while those employed in industry have constantly had increases in both—and the trend is continuing. The administration witnesses have pointed to industry as precedent. However, they have not pointed out that salary increases and fringe benefits in industry have been much greater

over the years. We do not believe that this is the proper time to tie in salaries and fringe benefits as proposed. When we reach comparability in salaries and fringe benefits, we will be willing to accept package deals.

We strongly urge this committee to:

1. Report out a bill that will have a salary schedule based on current comparability, such as H.R. 12838, introduced by Congressman Hanley.
2. Extend overtime payments to all salary levels instead of confining them to the lowest seven levels.
3. Include a section to eliminate the growing number of inequities whereby the senior employee receives less money than the junior employee in the same level.
4. Have all step increases at 1-year intervals.
5. Eliminate any reference to increased employee contributions to the retirement fund unless additional meaningful benefits are included.
6. Liberalize the Life Insurance Act.
7. Eliminate any provisions to grant the agencies the option of retiring an employee who has reached the optional retirement age.
8. Increase Government contributions to at least 50 percent of the health insurance premiums.
9. Report a bill with an effective date no later than the enactment date.

We appreciate the opportunity of presenting our views and hope that the combined subcommittees will act favorably and promptly on our recommendations so that we will not again be thwarted in our continued quest for comparability.

Mr. UDALL. The subcommittee will stand adjourned until 10 o'clock Monday morning when we will meet in the main committee room, 346, in this building.

(Whereupon at 3 p.m., the subcommittee was recessed, to reconvene at 10 a.m., Monday, March 14, 1966.)

FEDERAL SALARIES AND FRINGE BENEFITS

MONDAY, MARCH 14, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMPENSATION OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 10 a.m., in room 346, Cannon Building, Hon. Morris K. Udall (chairman of the subcommittee) presiding.

Mr. UDALL. The subcommittee will come to order for the further consideration of Federal salaries and fringe benefits.

The Chair would announce before we begin that further sessions of the subcommittee will be held tomorrow, on Wednesday, and on Friday. However, the remaining sessions will be in room 215 in this building.

The Chair has scheduled four witnesses this morning, so we have a busy 2 hours ahead of us. We will appreciate the cooperation of the witnesses in summarizing, wherever possible, and in fairness to all concerned, to enable everyone to have a reasonable amount of time.

Our first witness today is Mr. John F. Griner, president, American Federation of Government Employees, accompanied by Mr. Thomas G. Walters, special assistant to the president for legislation, and Dr. Voss, research director.

Gentlemen, we are once again happy to have you before our subcommittee. You may proceed.

Mr. ELLSWORTH. Mr. Chairman?

Mr. UDALL. The gentleman from Kansas?

Mr. ELLSWORTH. Mr. Chairman, I am going to have to excuse myself before Mr. Griner and his staff have completed their statement, because I have a bill pending in the Interior and Insular Affairs Committee, relating to some Indian land in my State which I have to go over and testify on. I want Mr. Griner and also Mr. Wolkomir and Mr. Stoffer and Mr. McCart to know I intend to study their statements carefully and thoroughly and want them to know—particularly Mr. Griner and his fine staff—that I know from past experience that you will make a real contribution to our consideration of this compensation measure we are considering. I want you to know when I do leave it is not because of any lack of interest. It is because of a critical matter of importance to me and my home State on a bill I have pending myself before the Interior and Insular Affairs Committee.

Mr. GRINER. We understand, Mr. Congressman.

Mr. UDALL. We understand the gentleman's problem. Mr. Daniels indicated, also, he has another committee meeting in which an important vote is to be taken, and it is for that reason he left. I have

a bill of my own before the Indian Affairs Subcommittee, which I hope won't come up until tomorrow.

You may proceed, Mr. Griner.

STATEMENT OF JOHN F. GRINER, PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES; ACCOMPANIED BY THOMAS G. WALTERS, SPECIAL ASSISTANT TO THE PRESIDENT FOR LEGISLATION

Mr. GRINER. Thank you, Mr. Chairman, and members of the committee. I am speaking for the largest single group of classified employees. I am pleased to come before this committee today to urge speedy enactment of legislation that would give those employees an increase of their salaries and make substantial progress toward comparability with the salaries paid by employers in private industry.

The American Federation of Government Employees of which I am national president has a membership at present of nearly 200,000 the majority of whom are occupying positions subject to the Classification Act. We represent employees in all grades of the Classification Act.

Through the provisions of Executive Order 10988, more than 350 of our lodges have qualified for exclusive recognition, which means that the AFGE is representing between 290,000 and 300,000 Federal employees. They are working not only throughout the United States but in Okinawa, Guam, the Panama Canal Zone, Iceland, Germany, the Azores, and other places far removed from Washington.

The legislative proposals which are receiving the attention of this committee, I am happy to note, relate not only to basic compensation of classified and postal employees, but to improvement of the civil service retirement system and the health benefits system both of which provide equal advantages to wage board and classified employees. I will not dwell on any legislation which relates to other than pay because it is my understanding that separate hearings will be scheduled on other matters by other subcommittees of the Post Office and Civil Service Committee.

Mr. Chairman, I now find this morning that I am probably incorrect in that last statement.

Mr. UDALL. Let the Chair interrupt at this point to make the record very clear, Mr. Griner. We originally called these hearings to deal with pending pay proposals, some of which dealt with overtime, fringe benefits, and other matters.

Subsequent to the calling of the hearings, the administration developed, with your help and others, this pay package that is presented to us. As a result of this, the hearings were expanded to invite all of the members of the committee on retirement and insurance as full participants in these hearings, and we have yet to work out, as between Chairman Daniels and myself and the other members of the committees, precisely what action will be taken with regard to the markup of any bill. But I would strongly—it is the intention of the Chair, and I have cleared this with Mr. Daniels, to take all testimony here relating to retirement and all features of this executive pay package. So if your organization has further comments on this subject that are not used in your statement today, we would be

happy to have a supplemental statement from you, or to set aside another time at which you can be heard.

Mr. GRINER. Thank you very much, Mr. Chairman.

The decision with which this committee is confronted with respect to the amount of the salary increase that is to be given to classified and postal employees is an important decision. It will affect the lives of nearly 1.8 million employees. In behalf of the 1.1 million classified employees, I respectfully urge this committee to consider this problem from that standpoint.

We must consider we are dealing with human beings, with justice and equity. We must never lose sight of the impact of such legislation on the personal lives of the men and women who look to the Federal Government for their daily livelihood.

This underlying principle applies equally to classified and postal employees, and at this point I wish to endorse the presentation by representatives of the postal unions who are so ably submitting the arguments in favor of parallel salary increases for postal workers.

The proportion of the salary increase which the American Federation of Government Employees is supporting is 7 percent throughout the classified general schedule. I wish to express our thanks to those members of the House who have introduced the following bills providing a 7-percent increase:

H.R. 12094, introduced by Representative Krebs;
H.R. 12240, introduced by Representative Olsen;
H.R. 12288, introduced by Representative Daniels;
H.R. 12326, introduced by Representative Helstoski;
H.R. 12489, introduced by Representative Randall;
H.R. 12838, introduced by Representative Hanley;
H.R. 12924, introduced by Representative Cunningham; and
H.R. 13492, introduced by Representative Broyhill of Virginia.

We believe that 7 percent is warranted, as I am prepared to demonstrate in this statement.

Mr. POOL. Are these bills all identical bills?

Mr. GRINER. No; there are some differences in some of them. For instance, Mr. Broyhill's bill is different; Mr. Krebs is different, but generally speaking, they are all about 7 percent. Such an increase also should be uniformly applied in all grades of the general schedule. Table 1 which is appended to this statement shows the manner in which employees are distributed throughout the 18 grades of the classified service. No great proportion is concentrated in any one grade. While 47 percent are assigned to grades 1 to 6, inclusive, slightly more than 52 percent are in grades 7 to 15, inclusive. Only one-third of 1 percent populate the so-called supergrades 16, 17, and 18.

It should not require an emphatic nor eloquent argument to demonstrate the correctness, the justice, and the soundness of the 7-percent increase which we support and which has been submitted in the form of concrete legislative proposals by leaders of the House Post Office and Civil Service Committee. In comparison to the administration's recommendation, it will go a considerable way toward the attainment of comparability with compensation in private enterprise. Yet if one were to advocate actually closing the gap between industry and Government, the raise would need to be substantially greater than 7 percent.

It is our position, Mr. Chairman and members of this committee, that there has been entirely too much unnecessary delay in the attainment of comparability of Federal salaries with those in private industry. We were promised comparability when that principle was formulated as a matter of law by Congress in the Salary Reform Act of 1962. Three times since that enactment the administration has promised recommendations of pay adjustments that would reduce or nearly eliminate the lag between the salaries paid in Government and in industry. Always it has been "next time" but "next time" has never arrived.

Federal employees have been extremely patient, and now they look to you as Members of Congress to insist upon the Federal Government, at an early date, moving its salary policy closer to compliance with the principle of comparability and closing the remaining gap.

Our disappointment is shared by the leadership of the American Federation of Labor and Congress of Industrial Organizations. In a statement issued by the executive council of the federation at its winter meeting last month, it was pointed out that the large group of AFL–CIO members who are involved in this pay legislation here under consideration cannot bargain on their basic compensation.

I might point out we cannot strike either and we do not request the right to strike. So the only ways and means that we have to get justice is through you gentlemen. As a result, the federation asserted—

> the importance of Government proposals for improvements in salaries and other benefits has more than ordinary significance.

Concerning the failure to propose comparability, the AFL–CIO statement has this to say:

> We are concerned over the failure of the administration to propose to Congress measures to achieve full, current comparability between private industry and Federal Government salaries paid postal and other Federal workers. We reaffirm this position as pronounced by President Meany on April 4, 1965, as a member of the President's Special Panel on Federal Salaries.
>
> The policy of comparability between Federal and private industry rates remains only promise; it must become a reality.

We have been given to understand that increases of classified and postal salaries must be held to a minimum, because larger raises, dictated by economic data reflecting the growth and healthy condition of the economy, would violate the administration's wage guidelines.

It was stated in the 1966 Annual Report of the Council of Economic Advisers, page 79, that productivity in the private economy has grown at an annual rate of 3.6 percent per year since 1960, yet this 5-year trend was ignored and continuation of the 3.2 percent guidepost was continued, page 92. Now Federal employees are offered even less than 3.2 percent.

It appears to me, Mr. Chairman, that this attempt to use precision when it suits the purpose of limiting salaries of the rank-and-file Federal worker is uncalled for and indefensible. In the words of the AFL–CIO executive council:

> This action is nothing less than an attempt to shortchange workers, in an effort to impose the burden of the price level on wage and salary earners, who do not set prices, while there is no effective guideline for prices and no guidelines, at all, for profits and dividends.

I believe it cannot be asserted too emphatically that Federal employees are seeking only those benefits to which they are entitled.

The decision can readily rest on the facts and the facts clearly indicate that classified employees for whom I speak are entitled to more than 2.85 percent. This is true even if only the indicated percent increase of average earnings of clerical workers in private industry as surveyed a year ago is considered.

The National Survey of Professional, Technical, and Clerical Pay, February–March 1965, reflected increases in average salary levels ranging from 2.3 to 4.3 percent for the 11 occupational groups studied in which comparisons could be made. The median percentage increase for the 11 groups was 3.9. The AGFE has a goodly number of members in the groups represented in this survey, probably more than any other organization.

Table 2 attached to this statement indicates a significant and recognizable trend toward increased average earnings of clerical workers in private industry. The increases indicated by the first 29 area wage surveys completed by the Bureau of Labor Statistics, of 85 surveys scheduled in fiscal year 1966, showed conclusively an upward trend as compared with surveys for identical wage areas in fiscal year 1965. Whereas clerical salaries increased less than 2 percent in 6 areas in 1965, only one such area was that low in 1966. On the contrary the 2 areas showing an average increase of 4 percent or more in 1965 had grown to 10 areas having this large an increase. The median increase for these areas had increased from 3.3 percent in 1965 to 3.8 percent in 1966.

Thus, if we take these areas as a most conservative indicator of salary trends there is, without a doubt, evidence of an upward trend in salaries paid clerical employees in private industry. I am not referring now to professional or technical positions but to clerical positions in the lower grades. If we oversimplify the comparison of salary increases in the 2 years and add these two averages, we have a combined average increase of 7.1 percent of clerical salaries in industry since the National Survey report for fiscal year 1964 on which the Salary Increase Act of 1965 was based. I do believe the trend indicated by reports for this group of 29 wage areas is significant in that it includes few large cities commonly considered high-wage areas, and, thus, the percentage increase of salaries in areas surveyed later may well be larger.

But there is still other evidence that Federal salaries continue to fall below those in private industry. BLS surveys clearly indicate that salaries in private enterprise are rising more than 3 percent a year. If we take into account the lag of 1 year or more now prevailing, there is a sound basis for an increase approaching 7 percent.

If clerical pay is rising, salaries for technical, professional, and administrative positions in upper grades are rising still more. The rise in the middle grades of GS–5 to GS–13 is explained in table 3 attached to my statement. Grade GS–11 includes many journeyman-type positions of a professional or technical nature. Positions in GS–12 and GS–13 include many that are supervisory, yet not to be considered as strictly on a management level.

Table 3 makes a comparison of percentage increases in private industry in certain areas surveyed in 1965 and 1966. It shows the percentage increase needed to raise the fourth rate in the Classification Act grades indicated to the level of the average salaries of comparable positions in private industry. The comparison shows that the fourth

rate in these Classification Act grades would need to be raised from 5.3 to 17.9 percent to equal industry averages in the BLS survey in 1965. The median increase for the 29 metropolitan areas included was 9.8 percent. If we assume no more than a 3.3-average increase of salaries of clerical jobs surveyed in fiscal year 1966, the percent increase of the fourth step-rate needed to raise salaries to the industry level for these grades would range from 8.7 to 21.7, or a median increase of 13.4 percent.

I am also prepared to offer more specific evidence of clerical salaries exceeding Federal salaries for comparable positions. Table 4 affords such evidence. It compares salaries in the Federal classified service with rates for comparable jobs in the United States Steel Corp. The rates are those provided in the agreement with the United Steelworkers of America last September. The minimum or starting rates in United States Steel for the four positions listed range from 22 to 28 percent above minimum rates for comparable Federal grades.

Gentlemen, I would like to point out I selected United States Steel as the corporation with which we could compare these rates because as you and I will recall, United States Steel was held, I mean the United States Steel workers were held to about a 3½-percent increase last year in their wage negotiations.

Mr. UDALL. Mr. Griner, your tables are very interesting and very helpful and without objection they will appear in the record of these hearings following your testimony.

Mr. GRINER. Thank you very much.

Whatever increase is provided should become effective no later than March 1, 1966. To do otherwise is merely to compound the effect of the lag of Federal pay behind that in private enterprise. The increase of 2.85 percent proposed is supported by the BLS survey centered in February and March of 1965, a year ago. Thus a March 1966 effective date would still be related to supporting data now relatively a year old.

There are several other aspects of the Federal pay problem, Mr. Chairman, which I believe merit the attention of this committee. First, there is the matter of overtime compensation. First, there should be an increase in the limitation now provided in section 201 of the Federal Employees Pay Act of 1945, as amended, on the hourly rate of overtime compensation permitted for employees subject to the Classification Act.

I might point out at this time no limitation for a wage board employee as to how much overtime he should be paid. If he works after 8 hours in a day, or after 40 hours in a week, regardless of his grade, he is paid overtime at the rate of time and a half, and there is no provision for compensation time for the wage board employee. At present, full overtime ceases with the minimum scheduled rate for GS–9. I urge this committee to raise this limitation to the minimum rate for GS–11. The proposed increase would not be great, but would provide more nearly equitable payment for work performed beyond regularly scheduled hours.

I might point out that since this law went into effect in 1945 there has been agency classification of grades, which has been brought about by the increased complexity and responsibility of the jobs. So, ordinarily, I would consider that the grade 11 today would be

equivalent to the grade 9 back in 1945. I would like to call your attention to another critically needed amendment——

Mr. OLSEN. May I interrupt you, Mr. Griner? Is it your view that at level GS–11 the employee there does not determine his own condition of overtime?

Mr. GRINER. Above GS–11 you begin to get into principally supervisory grades.

Mr. UDALL. The Chair will ask that questions be withheld until the end of the testimony. We have four witnesses this morning and I am afraid if I establish a precedent, there will be a whole series of interruptions.

Mr. OLSEN. All right, Mr. Chairman.

Mr. GRINER. I wish to call your attention to another critically needed amendment of existing law, and that is to provide overtime or premium pay compensation for classified employees required to work beyond 8 hours in any one day. Nearly 700,000 wage board employees were given this benefit by the Work Hours Act of 1962. Regular employees in the Postal Field Service also are eligible for overtime compensation beyond 8 hours in a single day. This type of premium pay was authorized for regular postal workers by the Salary Act of 1965. There is no such legislative authority for classified employees.

In other words, gentlemen, classified employees are the only group within the Federal service, other than the legislative or judicial branch, that does not have this provision. Then it is our opinion that we should have premium pay for work beyond 8 hours in a single day as is a relatively common practice in private industry. In 77 of the 102 union agreements with the largest firms in private industry, analyzed by the Industrial Union Department of the AFL–CIO, premium pay was provided after 8 hours. Six other firms provided premium rates after 7 hours. If we are going to move to comparability, then I think we ought to move to comparability on premium pay as well as compensation.

Equitable compensation also is lacking when Federal employees are required to travel in the performance of their official duties. Eliminating much of the injustice done Federal employees, and this includes both wage board and classified, who are required to travel, would be accomplished by House bills now pending—H.R. 10298, sponsored by Representative Krebs, and an identical measure, H.R. 10299, by Representative Olsen of Montana. I testified at a hearing on these two bills on last January 25. Representative Broyhill, of Virginia, has sponsored H.R. 13492, introduced on March 10 last week, to provide payment for travel for both wage board and classified employees. The bill also provides increased pay for classified employees and overtime compensation beyond the 8-hour day and premium rates for Saturday, Sunday, and holiday work.

Representative Krebs has provided for these premium payments in his bill, H.R. 12329, which deals with them similarly to the Broyhill bill, H.R. 13492. The Krebs measure provides premium pay beyond an 8-hour day for classified employees and overtime rates for work performed on Saturday, Sunday, or a holiday by wage board and classified employees.

In reply to questions during his appearance before this subcommittee last week, Chairman Macy of the Civil Service Commission expressed his belief that premium pay for Sunday work and work

beyond 8 hours in any one day could be extended on a Government-wide basis without involvement with the wage guidelines. His viewpoint, as I understood it, was that, inasmuch as postal employees were given such benefits by the Salary Act of 1965, it would be a matter of equitable treatment for other employees to extend the same benefits to those who do not presently have them.

I wish to point out, again, we are requesting your consideration in this connection for both classified and wage board or graded and ungraded, which ever you might want to call them.

Gentlemen, I would like to call your attention to the fact that in the 1965 Salary Act there was a provision increasing the uniform allowance from $100 to $125 a month. This clearly indicated to me that in the wisdom and judgment of the legislative branch, such an increase was needed to meet the increased cost of maintenance of uniforms.

The Veterans' Administration, General Services Administration, and the Department of Health, Education, and Welfare are probably the largest users of uniforms outside of the Post Office Department. To the best of my knowledge, none of these agencies has increased the uniform allowance one red copper.

Therefore, I urge you to add a provision in this bill that these and other agencies be required to increase the uniform allowance by a minimum of $25. And that increase should become effective immediately. You will note I am not asking every person be given the maximum of $125. There are some cases in which I don't believe $125 is necessary to purchase and maintain a uniform. And this organization is not asking for any provision whereby an employee could make money on this particular provision of the law. We just want justice.

I would like to make one more comment with respect to the health benefits program. When the Health Benefits Act was passed in 1959, the Government's share of the cost was approximately 38 percent. It is now about 28 percent, and probably will continue to decrease. The package we are now considering contains a provision which will increase the Government's contribution by one-half of the difference and the balance a year later. I believe that this is a step in the right direction, but it is the opinion of this organization that the Government should contribute 50 percent of the cost of the health benefit. We would also like to point out that we believe the ultimate goal, that is, when true comparability is attained, the Government should contribute the full cost which will be in line with some of the principal employers in private industry within the United States.

The proposal to permit retirement on full annuity after 30 years at age 55 would provide a substantial improvement of the retirement system. It would have the advantage of eliminating from the present law the 1-percent-a-year reduction applied to the annuity of an employee who retires between the ages of 55 and 60. Retirement optionally at age 60 after 20 years of service also is desirable for the employee who has entered the service at a point where credit for longer service cannot be earned.

It is also desirable, Mr. Chairman, in those cases where there is a reduction of force or transfer of functions. An employee who does not have sufficient retirement at the present time and he is of that

age, and doesn't wish to move from one part of the country to another, could certainly take advantage of this provision.

I noted it has been proposed to give the Government the option of retiring an employee who occupies a position in grade GS–13 and above. To this I must emphatically object. Such an option is too easily utilized as a means of reprisal.

I would like to point out the grades 13 are usually division heads; they are not policymaking people. The policymaking people at the present time actually begin at around grade 14. This is in the majority of cases, but most of them are up in the grade 15 or higher levels. I see no reason why we should give a supervisor, head of an agency, or anyone else the authority to point to an individual and say, "You are 55 years of age, you have 30 years of service, you get out." And he has no recourse, no appeal. I want to emphasize that the retirement system is intended to reward the employees for long and satisfactory service—in other words, for having made Government service a career.

I have attempted, Mr. Chairman, to summarize our viewpoint with respect to a pay increase, supporting it with adequate documentation, which can be checked at any time.

The retirement benefits also proposed are worthy additions to the total compensation of an employee. The American Federation of Government Employees headquarters office, including the staff, is available to any of you gentlemen or to the committee at any time that we can be of assistance to you.

Thank you very much.

(Tables 1 through 4 are as follows:)

TABLE 1.—*Employees of the Federal and District of Columbia Governments, by Classification Act grade, all areas, June 30, 1965*

General schedule grade	Number of employees		Percent of total	
	By grade	Cumulated	By grade	Cumulated
1	1,809	1,809	0.16	0.16
2	32,503	34,312	2.92	3.08
3	133,621	167,933	12.0	15.1
4	169,328	337,261	15.2	30.3
5	133,483	470,744	12.0	42.3
6	55,476	526,220	5.0	47.3
7	95,493	621,713	8.6	55.9
8	19,105	640,818	1.7	57.6
9	128,106	768,924	11.5	69.1
10	16,147	785,071	1.5	70.6
11	120,565	905,636	10.8	81.4
12	91,713	997,349	83.0	89.7
13	65,048	1,062,397	5.9	95.5
14	31,236	1,093,633	2.8	98.3
15	14,949	1,108,582	1.34	99.65
16	2,760	1,111,342	.25	99.90
17	800	1,112,142	.07	99.97
18	331	1,112,455	(1)	100.00
Total	1,112,455		100.0	

1 Less than 0.25 percent.

Source: U.S. Civil Service Commission.

TABLE 2.—*Trend of average salaries of clerical workers in private industry in 29 metropolitan areas surveyed by the Bureau of Labor Statistics*

Rate in increase	Number of identical metropolitan areas showing increased salaries	
	In fiscal year 1966 [1]	In fiscal year 1965
Under 2 percent	1	6
2 to 2.9 percent	8	9
3 to 3.9 percent	7	9
4 percent and over	10	2

[1] Derived from 1st 29 area wage surveys completed by BLS of 85 surveys scheduled in fiscal year 1966. 3 areas did not produce meaningful averages, 2 having been surveyed for the 1st time in fiscal year 1966.

TABLE 3.—*Percent increase needed to raise classified salaries in middle grades of general schedule of Classification Act to level of industry salaries as indicated by BLS industry surveys in 1965 and 1966* [1]

General schedule grade	Average salary reported in BLS industry survey, February–March 1965, corresponding to GS grade indicated	Current Classification Act, 4th rate of grade, effective October 1965 [2]	Percent increase needed to raise current Federal rate to salary averages—	
			Reported in BLS surveys of industry in 29 areas in fiscal year 1965	Indicated by BLS surveys of same 29 areas in fiscal year 1966 [3]
	(1)	(2)	(3)	(4)
5	$6,711	$5,694	17.9	21.7
7	7,639	6,890	10.9	14.5
9	8,676	8,241	5.3	8.7
11	10,643	9,879	7.7	11.3
12	12,813	11,723	9.3	12.9
13	15,226	13,815	10.2	13.8

[1] 29 of 85 area wage surveys of 1966 series have been completed.
[2] 4th rate represents average salary of grade.
[3] 1965 survey averages reported by BLS were increased by 3.3 percent as an approximation of average increases in areas in the 1966 survey so far completed.

Source: U.S. Bureau of Labor Statistics for averages in col. (1).

TABLE 4.—*Salary rates of comparable clerical positions in the Federal classified service and in the United States Steel Corp.*

Position	General schedule grade	Federal salary [1]		United States Steel Corp. salary [2]	
		Minimum rate	Maximum rate [3]	Starting rate	Standard rate [4]
Key punch operator	2	$3,814	$4,975	$4,638	$5,284
Typist	2	3,814	4,975	4,638	5,284
Stenographer	3	4,149	5,409	4,961	5,607
Senior tabulating machine operator	4	4,641	6,045	5,930	6,575

[1] Rates in Salary Act effective October 1965.
[2] Rates provided in agreement between United States Steel Corp. and United Steelworkers of America, effective Sept. 1, 1965. Biweekly rates have been converted to annual rates for purposes of comparison.
[3] Maximum attained in same grade after 18 years of satisfactory service.
[4] After 52 weeks of service.

Mr. UDALL. Thank you, Mr. Griner. The Chair believes your statement is most compelling, very well organized, and very well documented, and I think it is a helpful statement to have before the subcommittee. I have been one of those who respected the very aggressive and efficient way in which you and the other leaders in your organization have represented such a large number of Federal employees. You do have the largest Federal employee organization that exists now, in terms of membership, and you have always been cooperative with this committee.

We are opening under the 10-minute rule this morning, and the Chair will not attempt to restrict the member's questions, except within that rule.

The Chair would note we have three other witnesses scheduled this morning and I hope we can move along.

I just have two comments and a short question. With regard to the retirement in the third paragraph, on page 9, the suggestions you make. Mr. Olsen and myself and some of the other members of the committee had a rather lengthly discussion of this matter with Messrs. O'Dwyer and Jackson on Friday afternoon. I stated my views, as did the other members at that time. I won't attempt to restate them here today, but, if you are interested, we had quite a full and complete discussion on this subject, and I did give my views at some length on this important and interesting topic.

I am disturbed at the failure of the administration to implement the increased uniform allowance which you referred to. I have already contacted the Post Office Department to tell them of my concern on this matter, and I suggest, unless action is taken very shortly, it may well be the feeling of this subcommittee that additional language along the lines you suggest be inserted in this bill.

I think the administration has an obligation to implement these provisions and put them into effect immediately, and I think you have done well by your members to call this to our attention as concerns the classified employees particularly.

I think you were in the room last week when I asked Mr. Keating and Mr. Hallbeck rather long, involved questions. I would ask you the same question dealing with the fact that I agree, as one, with nearly everything you have said about the inadequacy of pay for your people. I am also aware of the realities of the situation we face this year, the problem of the war in Vietnam, the attitude of the President, the very strong attitude of the President that he has used his influence and rather dramatically and strongly urged that restraint be practiced in private industry. In light of all this, and as one who helped develop this package, recognizing you feel very strongly that this is inadequate and insufficient, in the light of the realities of today, are you or your organization satisfied to accept this package, with the understanding that next year, if this military situation is changed, a major effort will be made to do equity and justice along the lines you have indicated in your statement?

Mr. GRINER. Mr. Chairman, this is a rather difficult question to answer. You will recall that last year the House passed a more generous pay bill than was finally enacted into law. In fact, the House bill included certain premium pay benefits for employees, other than postal employees, which was cut out in the Senate.

We had fully expected, and I know that you and the other members of this committee had expected, that the necessary adjustments would be made this year to provide for an adequate pay bill which would be, or could be, enacted by Congress. In fact, we were halfway promised that. Now we are faced with the fact that the war is not over and is, in fact, being escalated, which only multiplies the problems of the American people and, of course, alters the situation from that which we faced a year ago.

It is my opinion that the members of our organization and the employees of the Federal Government as a whole fully recognize and will readily admit the greatest need of our Nation today is just and speedy settlement of the Vietnam question. I believe the records will show that a great majority of the men and a surprising number of women have actually served our country in the military during the past quarter of a century. In fact, many of them are now serving our country. Some have given their lives in the present war. A number of them have children, husbands, or close relatives who are presently at the battlefront.

It has been our hope, and it is my opinion, that we have justified an increase of at least 7 percent. As I said before, we had hoped to be able to get such an increase enacted into law, but the escalation of the war in Vietnam has imposed such restrictions, including guidelines, which the Federal employees cannot wholly disregard. Employees of the Federal service—and I hope you will agree with me—are the most loyal and patriotic group in the country. And I believe they are more concerned with the success of the war than obtaining an adequate pay increase.

In view of the crisis which now confronts the country, the conclusion of this organization is that we will reluctantly accept the proposed package which has been offered to us, with the understanding that we will probably be back before you next year with justification for an adequate pay increase, especially if we are successful in our efforts in Vietnam. May the good Lord guide us in obtaining peace.

It is true that we have had several meetings with top officials of this administration, where the whole pay problem has been discussed democratically.

At this point, I would like to express our appreciation for the opportunity to have such discussions. This is the first time this has happened since I have been president of this organization, which has been about 3½ years.

Gentlemen, I would like to point out, however, that it is the opinion of this organization that premium pay should not be considered as pay included within the limitations of the guidelines. The questions put to Chairman Macy of the Civil Service Commission last Monday, and his replies thereto give support to our position that certain types of premium pay, namely, time in excess of 8 hours in any one day, should be overtime——

Mr. POOL. Mr. Chairman?

Mr. UDALL. Let the gentleman finish.

Mr. GRINER. And premium pay for work on Sundays could be granted in order to achieve uniform treatment of all Government employees, whether they be wage board, classified, or postal, may also be granted.

Furthermore, it is my opinion that pay for traveltime and the increase in maximum base for overtime now paid in grades 9 to 11 is justified and within the guidelines.

I respectfully request, in your deliberations, that you consider introducing into this bill, or into your report to Congress, a recommendation that these premium pay items be included in the legislation and not chargeable to the guidelines.

I further urge you to make Sunday differential and traveltime applicable to all graded and ungraded or classified or wage board within the Federal Government, in order that uniformity and equity can exist for such employees.

We cannot agree that the effective date of this legislation be January 1, 1967, and I believe that was in the package. I find no evidence, whatsoever, to support such a date. We have therefore requested that the effective date be March 1, 1966, for the purpose explained in my statement.

I feel that it would be impossible for me to face my membership with a puny pay increase of 1 percent for the first three grades. Therefore, I am recommending at this time that the increases granted should be 2.9 across the board. I realize that such a recommendation, if adopted, would probably result in a further deficiency in the upper grades. However, that can be taken care of at such time as we try to obtain the comparability which is required. And I hope that is soon, Mr. Chairman.

Mr. UDALL. Thank you, Mr. Griner. Let me say, as I said previously, that, while I recognize the anguish and the feelings that you must have had in making this decision, I commend your decision. I think it is in the best interest of your organization and your country, and I think you have done your membership a service and the country a service by taking the actions which you have taken.

The gentleman from Montana is recognized for 10 minutes.

Mr. OLSEN. Thank you, Mr. Chairman. Mr. Griner, it is your understanding that the effective date of January 1, 1967, and the spread of the increase were not part of the package?

Mr. GRINER. It was not.

Mr. OLSEN. That, as a matter of fact, there is room——

Mr. GRINER. Room for negotiations in that; yes, sir. Nor was the premium pay I asked for a part of the package, but they were discussed and, as you noticed, Mr. Macy was asked a question to which he did not indicate any serious objection. In fact, he went along with part of it.

Mr. OLSEN. Do you have any idea if the fringe benefits are going to be acceptable, including overtime and Sunday differential, over in the other body?

Mr. GRINER. We have not discussed them, item by item, but we have discussed those as a whole with the other group, and there are some indications that they would be acceptable.

In other words, there has been no turndown on the other side of the Capitol. I might add, there has been no direct acceptance, either. But I feel, let's say, encouraged, optimistic.

Mr. OLSEN. I would hope that we get better treatment from the other body, with respect to fringe benefits, than we got in the bill last year. I hope that you people, all of the leaders of the employee

groups, will bring your explanations and your influence to bear over in the other body, as you have done so well here.

Mr. GRINER. Thank you, sir. We will certainly try.

Mr. OLSEN. Now then, if a better package is obtained from this committee, I would presume that your organization and your leadership would support the proposals of this committee?

Mr. GRINER. Oh, yes, sir.

Mr. OLSEN. And that it is not part of any agreement with the White House that you would resist better proposals coming out of this committee?

Mr. GRINER. No; it certainly is not part of any agreement. That is right, sir.

Mr. OLSEN. Getting back to my earlier question, while you were testifying, concerning at what grade men determine their overtime. You say that now as high as GS–11, they do not determine their overtime?

Mr. GRINER. That is right, sir. In other words, normally speaking, the supervisory grades usually begin at around grade 12. That is the supervisor with some meaningful authority.

Mr. OLSEN. The one who would determine who was going to work overtime would be in a higher grade than GS–11.

Mr. GRINER. Yes, sir.

Mr. OLSEN. Therefore, you think that overtime, Sunday differential, all of these things, should be provided for employees up through GS–11?

Mr. GRINER. At least that; yes, sir.

Mr. OLSEN. Now then——

Mr. GRINER. And, Mr. Congressman, again I want to remind you—I hope you don't forget that I am asking for the wage board to be included in some of these Sunday differentials and other things, too.

Mr. OLSEN. You will have to give those particulars to us, when we get around to marking up the bill. I would like to hear from you then.

Mr. GRINER. We shall be happy to do it.

Mr. OLSEN. I know Mr. Krebs wants to, also. We both are interested in that.

Now, I wanted to get this subject of uniform allowance clear. I thought it was so definite in our hearings, and then, later, in executive session, that the increased uniform allowance of $25 was to be paid simply upon the vouchers being submitted by the employee to the effect that he had this additional expense. I think that is the chairman's understanding, as well?

Mr. UDALL. Yes.

Mr. OLSEN. For that reason I think we ought to take the view that this $25 additional uniform allowance is retroactive at this time and it ought to be effective as of the date of last year's bill, or whenever that was in effect, the provisions under last year's bill. Perhaps we should be talking this year of an additional uniform allowance, over and above the additional $25 of last year. And I think we ought to explore justification for something more than the $25 of last year, because, early last year, we were talking of $50.

Mr. GRINER. I have forgotten when the uniform allowance bill was passed. Do you remember, Dr. Voss?

Mr. UDALL. The House passed $150. The Senate cut it back to $125, and it was effective the date of enactment, which was last October.

Mr. GRINER. I was trying to think when the $100 was granted. In other words, it must have been 4 or 5 years ago. Certainly, the cost of uniforms, plus the cost of maintenance of those uniforms, has increased more than 25 percent in the last 4 or 5 years.

Mr. UDALL. This was at least 10 years old when we increased it last year.

Mr. GRINER. I think it is probably older than that. There are a number of agencies that have never, nor do they have any intention of granting the full amount of the uniform allowance. Maybe in some cases the full amount is not justified. But certainly, I believe the $25, which you in your wisdom and judgment found to be needed should have been allowed to these employees. It has not been allowed to them up to the present time.

The Uniform Allowance Act was enacted in 1954, Dr. Voss tells me. So that was some 12 years ago.

Mr. OLSEN. That is well taken. I am glad we got that into the record, because we should be talking about more than $25 now. Twenty-five dollars was the amount given last October, and we ought to be talking about more than that now. Thank you, Mr. Chairman. That is all I have. I thank you, Mr. Griner, and your colleagues and your organization for an excellent presentation. I am very happy to note that you will go along with this committee if we write a little bigger package. Thank you.

Mr. GRINER. We never turn down anything more than we ask for, Mr. Chairman.

Mr. OLSEN. If we get it out of this committee, I want you fighting for it.

Mr. UDALL. The gentleman from Nebraska.

Mr. CUNNINGHAM. I enjoyed your statement, too, Mr. Griner. Did I understand you to say you would prefer a straight 2.9 percent across the board?

Mr. GRINER. Yes, sir.

Mr. CUNNINGHAM. And then the additional would be the fringe benefits that would make the package?

Mr. GRINER. That is right, sir.

Mr. CUNNINGHAM. And you are willing, on the other hand, to go along with the administration?

Mr. GRINER. Under the conditions we are now faced with, Mr. Congressman, I feel we have no alternative.

Mr. CUNNINGHAM. Well, if the other organizations feel that way, maybe we ought to just put the statements in the record.

Mr. UDALL. If the gentleman will yield, not all of them feel that way. The major ones, the largest ones, do, but some of the others in the hearings last week indicated rather emphatically that they did not agree to the package. They left little doubt.

Mr. CUNNINGHAM. Thank you, Mr. Griner. I appreciate your statement. That is all, Mr. Chairman.

Mr. UDALL. The gentleman from Texas.

Mr. POOL. Mr. Griner, the Krebs' bill is not inflationary, per se, is it?

Mr. GRINER. No, sir; very conservative.

Mr. POOL. It is correcting a wrong that has been going on, and comparable to private industry—it is comparable to private industry?

Mr. GRINER. Yes, sir.

Mr. POOL. It has nothing to do with the pay scale. Is that correct?

Mr. GRINER. That is right. There are several points in Mr. Krebs' bill. Which one did you have reference to?

Mr. POOL. I am talking about the traveltime and such things.

Mr. GRINER. Yes, sir; it would not inflate the pay of any individual.

Mr. POOL. So, no one could point to this bill and say, "It is inflationary." That is the point I am making.

Mr. GRINER. That is right, sir.

Mr. POOL. So the committee could take the package deal and put his provisions in there also and it still wouldn't upset the apple cart, as far as the overall philosophy of inflationary trend?

Mr. GRINER. Congressman, I am absolutely satisfied it would not. Let me make a remark there. It is my opinion that with good and sound administration, you would have very little of this traveltime.

Mr. POOL. They wouldn't have any, if they handled it right. Is that right? Wouldn't have to have a law?

Mr. GRINER. That is right. If they have to pay a premium pay for it, they will cut it out, stop this traveltime outside of the employee's regular tour of duty.

Mr. POOL. I had a lot of fun presiding over your hearings and I am about decided for you on that, because I don't think it is inflationary, and I think it is a wrong that ought to be righted. This is a good time to do it.

Mr. GRINER. Thank you, sir.

Mr. POOL. I also want to compliment you on accepting the package bill, in view of the war situation. I commend you and your organization. It would be difficult for you, as a representative for a labor union, to go back to your people and tell them you are accepting a compromise, without having strongly voiced your position.

I think it is real fine that you can come up here and make that statement. I was wondering what you would say a while ago and I am real proud of what you said. I think that is real enlightenment in the labor movement, and I like to see it.

Mr. GRINER. Thank you, sir.

Mr. POOL. That is all.

Mr. OLSEN. Mr. Buchanan?

Mr. BUCHANAN. I would like to say again, Mr. Griner, as I have said on several previous days, that I deeply regret that the House version of the pay bill last year did not carry through. I doubly regret it in light of the present situation, and the fact that we are not coming anywhere close to achieving comparability, in my judgment, in this bill for Federal employees.

I, however, join in expressing appreciation to you for your decision under the circumstances of the effort in Vietnam and I want to say to you that, while I would agree that Federal employees have not caused whatever inflation we have, could hardly be held responsible for it, I think sooner or later we have to let Federal employees catch up. I am not holding the guidelines created for others. They are running consistently behind.

Until they achieve comparability, it seems pretty unfair to impose the same guidelines on them as on other groups. I do appreciate

your position. I think you have exercised good leadership, not only for your organization but for other groups in the country.

I just hope, Mr. Chairman, that others will follow the leadership that has been exercised by these Federal unions, postal, and Mr. Griner's union, in this present situation. We may have a chance to really hold down inflation and do right by our people in Vietnam.

I appreciate it, and I hope they will soon take some significant steps toward comparability for Federal employees.

Mr. Griner. Thank you, Mr. Congressman.

Mr. UDALL. The Chair recognizes Mr. Krebs.

Mr. KREBS. Thank you, Mr. Chairman. I, too, Mr. Griner, want to join my colleagues in commending you for an informative and scholarly prepared statement. I believe that the substance of it gets to the heart of the problem which I have tried to get at for the last week or more in these hearings. And I want to give you a chance to comment on my feelings, as expressed repeatedly in these hearings, without taking the time to do so. I want to say, this is Monday, the beginning of a second week, and my feelings and attitude about this whole problem haven't changed. And I suspect you are aware of them.

I ask you, do you want to make any comments on the expressions I have made here in these hearings?

Mr. GRINER. I was here at the first hearing, Mr. Krebs, and I know the position that you took then. In my opinion, the Federal employees are just like the fish in a glass bowl—in other words, we are under close scrutiny by every group in the country, even by labor itself. We have not been given what we were entitled to. We have had a promise, year in and year out, ever since 1962.

For instance, I pointed out this morning that the average increase since 1960 has been about 3.6. It has not been applied to Federal employees, but one of the problems that we have been faced with is when we started with comparability. We did not go back and try to catch up on those years in which there was no comparability considered, and in which we were trying to get these increases on a hit-and-miss basis, and get the very best we could, and there were several years in which we received no increase. So, once the principle of comparability was established, and I have wondered in my own mind whether that was to apply only to pay, because we usually talk about comparability in the way of pay, or whether it would apply to fringe benefits and premium benefits, and there is a difference between fringe and premium payments, across the board.

It is my opinion it should apply across the board.

Mr. KREBS. Let me ask you, generally, in the economy we live in today, do you believe that, in order to fairly mete out the burden of putting our Nation's well-being first—and nobody denies that this should be our No. 1 goal—do you believe it is possible to impose a 2.9-percent limitation on wage increases, and a three-tenths of 1 percent limitation on fringe benefits, on a relative handful of Federal employees and not on anybody else in the same mandatory manner, and really do anything toward avoiding inflation?

Mr. GRINER. Very, very little, Mr. Congressman. There will be some reflection on it; yes.

Mr. KREBS. In your statement on page 7, you make reference to a survey, a BLS survey, that you say was a year old. I want to ask

you, is it really a year old, or is it older? Because, the dates of February–March 1965 are the dates on which this survey was made public.

Mr. GRINER. Actually, it is a year and a half or 2 years old.

Mr. KREBS. The data that was incorporated in that survey could conceivably have been gotten a year before that. It might even be a 1964 or 1963-and-a-half survey; might it not?

Mr. GRINER. No. Your report was actually made about March 1, as I understand it.

Mr. KREBS. The report was made public on March 1. Did they gather the information on February 28 and put it together overnight and release it on March 1?

Mr. GRINER. No. I understand it was gathered from about the 1st of September on through the balance of that year and probably January and February of 1965.

My director of research tells me that the information was gathered in the fiscal year of 1964 and that means from June 1963 to July 1964, and then——

Mr. KREBS. All I know is it probably was gathered starting with the beginning of the fiscal year, which would be July 1, 1963, and ended on June 30, 1964, because it is a monumental job to gather and interpret and collate and print and proofread and all of the other things that have to be done to this. So, in fact, you might very well be comparing conditions that should be current, that actually were conditions that existed 3 years ago. And I say this, in my judgment—and I want to see how you feel about it—might have a further effect on the comparability we have striven to accomplish.

Mr. GRINER. Certainly, it will have an effect. I would like to point out to you in some of these figures quoted—I believe I mention here on page 6 that there had been 29 wage areas that have already been surveyed, 29 out of about 85, I believe it is. I think there are 85 areas to be surveyed, and I might point out, out of these 29 wage areas, we already note that there is a minimum of 3.3 that will come up on the 1966 reports.

Mr. KREBS. With the Chair's indulgence, I would like it if the research director, Mr. Voss, would supplement Mr. Griner's answer. Do you have any objection, Mr. Chairman?

Mr. OLSEN. Without objection, it is so ordered.

Mr. KREBS. I think there is a fundamental question that is raised and I would like to get such answers as we can on the record.

Mr. GRINER. You want to know what the basic survey covers?

Mr. KREBS. I want to know whether or not you think the survey is fair and modern, in the sense that it is dealing with circumstances we try to measure currently and, in my judgment, have not measured currently, but went back to 1963 and 1964?

Dr. VOSS. I believe the survey, as it is set up, is as fair as can be conducted within the resources that the Bureau of Labor Statistics has available. There is a delay, of course, and that necessarily will have some limitations on the results and, from a practical standpoint, it is really not possible to eliminate all of the lag. That has been pointed out by the Commissioner of Labor Statistics in his appearance on one or two occasions.

The survey on which the current recommendations for salary is based represents the fiscal year 1965. In other words, it is a survey

which began about August of 1964 and ended June of 1965, the reference date being February and March 1965.

Mr. KREBS. Let me ask you this: Is it possible, in your judgment, to establish some sort of an adjustment factor that we could utilize on this survey, if we recognize that it deals with conditions as they existed in fiscal 1963–64. Could we not measure the progress made, wagewise, of the workers measured in the survey, and adjust the figures that this survey gives us to make them more nearly reflect the existing circumstances?

Dr. VOSS. First of all, I believe there could be an adjustment factor applied that would cover what has not been put into effect since, let's say, 1963.

Mr. KREBS. I don't want to delay any longer on this, because my time is limited.

Mr. GRINER. Mr. Congressman, may I read into the record at this point a statement made by Mr. Macy in 1963 that I think might be of some use?

Mr. KREBS. Yes, go right ahead.

Mr. GRINER. This is in Mr. Macy's statement to the committee in 1963. It says:

> The time gap is a problem which we must overcome before we can say that the comparability principle has been made effective. The Director of the Bureau of the Budget and I are having a staff study made of all possible methods of reducing this gap. Before completion of the next annual salary review, later this year, based on the Bureau of Labor Statistics' 1963 report, we shall provide employee organizations with the results of this study and seek to reach an agreement on a feasible process involving a minimum period of time between survey and salary. I feel certain that we shall be able to develop a plan for substantially reducing this time lag.

Mr. UDALL. The gentleman's time has expired. Perhaps Mr. Hanley will yield him a moment or two, if need be. But I do have three other witnesses I am anxious to complete this morning.

The gentleman from New York?

Mr. HANLEY. I will be happy to yield to Paul for a moment or two.

Mr. KREBS. Thank you very much, Jim. I have two more questions.

No. 1, the representatives of the other organizations testified that they were opposed to a provision in the administration's recommended legislation that would make it possible for them to work substitutes 8 hours in any 15-hour period, as distinguished from the existing law of 8 hours in 12 hours. You didn't mention that. How do you feel about that?

Mr. GRINER. We have no employees in the post office, and that is a peculiar problem to the post office employees.

Mr. KREBS. Good. The next question is, and this might be the $64 question, I don't know. Everybody that has been in here has made reference to the package discussed in some negotiation session. I am only a Member of Congress and a member of this committee, who will have the responsibilities of working on this legislation, and I have no idea what "package" you are talking about.

I see from your testimony today there might be some difference of opinion as to what was discussed and agreed on there. I wonder if it would be asking too much, Mr. Griner, if I ask you, as best you can recall, to submit to this committee your ideas of what you agreed you were willing to accept and what you weren't willing to accept.

Mr. GRINER. Would you like to have it this morning or give it to you later?

Mr. KREBS. Any time between now and the time the hearings are closed would be satisfactory.

Mr. GRINER. I will give it to you in writing, yes, sir.

Mr. KREBS. Thank you. That is all, Mr. Chairman.

Mr. HANLEY. Thank you, Mr. Chairman. Mr. Griner, I want to commend you on your consideration of the administration's proposal, with a view to the problems relevant to national defense. If I might pose one question with respect to the retirement aspect of this proposal, I concur with you in your thinking, and I simply want to refer to the matter of reprisal, in event the Government had the option to retire an employee.

I am wondering if you might want to suggest any hypothetical examples of what might happen in the way of reprisal.

Mr. GRINER. Under the proposal which I have not read, but I have heard about, the Government would have the option, after a man attained the age of 55 with 30 years of service, of just pointing to him and saying, "You can retire at 55 and 30, or you will be retired as of a certain date." The employee has no right to appeal. That would mean this: If there were a supervisor who didn't like this person for any particular reason, he could recommend his retirement. That is an easy way of getting rid of him, rather than to go—even if he thought he had performed some act on which he could be charged, rather than to go through the procedure of a hearing, he could retire this man.

We don't think it is fair. We think a man should be the judge as to whether or not he should retire, as long as he is doing a satisfactory job.

Now, if he is not doing a satisfactory job, then you can charge him under adverse action procedures, or, if he is disabled, you can retire him on the account of disability. But, frankly, I can't see the necessity of this, with the lower grades, especially as low as grade 13.

Now, there might possibly be some reason for it in the policymaking grades. As I pointed out, it has been my experience that the policymaking grades actually begin around the GS–14. But the real policymaking is 15 and above.

Mr. HANLEY. For instance then, if, in the opinion of an agency, the level of competency of this individual had declined, then perhaps this avenue would be adhered to?

Mr. GRINER. That is right, sir.

Mr. HANLEY. Basically, this is about what the evil of this provision would be, insofar as reprisal is concerned?

Mr. GRINER. That is right. Mr. Congressman, there are a lot of reprisals that take place without the actual intent on the part of the supervisor. It is just something that more or less automatically happens. But, if you can trace that back to its origin, you will find that there was a difference of opinion or some reason why this condition occurred, even though it might be many years later.

Mr. HANLEY. Yes. I think you have answered my question quite well, Mr. Griner. Just one other point, and this is relevant to your statement on page 7 in the matter of overtime up to GS–11. Do you have any comment with respect to similar provisions in grades in excess of GS–11?

Mr. GRINER. At the present time we have a provision that overtime will be paid at the option of the employee if the employee is in GS–9 or below. If the employee occupies a position above GS–9, the agency has the option of paying overtime or granting compensatory time. But the maximum overtime that can be paid to an employee is based on the beginning rate of GS–9. So, if a grade 12 worked overtime and was paid for that overtime, he would only get the rate that is paid to the grade 9. That is a maximum he can get.

Now, beginning with the grade 10, the management has the option of saying, "You are entitled to overtime or compensatory time," whichever, in the judgment of management, should apply. But up through 9, the employee has that option, and we have no objection to that option on both sides remaining as is, except, of course, if this is increased to the grade 11, we would ask the option to begin at grade 12.

I might point this out to you, Mr. Congressman, that it has been our experience that, since the escalation of the Vietnam war, there is a great deal of overtime. In other words, I know of a case where one of the agencies asked for a number of additional slots, so they could hire additional manpower. Its request was cut about 30 percent. Top management was asked, "How are we going to perform this work if we don't have the manpower to do it?" The answer was, "Either by overtime or by contracting part of the work out."

Now, if these people are going to perform overtime, I think they should be paid for it. We have a tremendous amount of work, overtime work, now going on in the Department of Health, Education, and Welfare, because of the medicare situation. We have journeymen, doctors, and others working 6 days a week and the maximum overtime they can be paid is based on the beginning rate of a GS–9, and it is just not fair to them. Employees don't work overtime because they ask for it. Employees don't control overtime. They are instructed to work. And if they are instructed to work overtime, certainly they should be paid for it.

Mr. HANLEY. It would appear that a high degree of inequity exists in this particular area.

Mr. GRINER. That is right, sir.

Mr. HANLEY. That is all, Mr. Chairman.

Mr. UDALL. The gentleman from Louisiana.

Mr. MORRISON. Mr. Griner, I have always admired you, but never more than at this moment.

During the time you have been active in the American Federation of Government Employees, and especially the time you have been in a position of leadership, I don't know of any man at the head of any organization who has worked harder and tried harder, or longer, than you have in building up a great union which is so needed and so important to our Government and its employees.

I recall a speech I made, a few years ago, at one of your conventions. You had not yet been elected president at that time. I believe it was in San Diego, Calif. As I shared with the delegates at the convention my thoughts about future legislation as it affected them and the people they represented, I stressed the unique importance of the role that their organization could play and the measures I hoped they could take in further strengthening their union in the best interests of the country, the Government, and their members. I urged all of those delegates to return home and dedicate themselves devotedly to

the task of building their organization, expanding its membership, and alerting all Federal employees to its benefits. I warned them there would be difficulties and hardships, and that they would be called upon for unselfish and probably unheard-of toil—with often only they themselves knowing their trials, their successes, and their discouragements. I held out to them the fine prospect of the vast potential, the great possibilities, for good that their own efforts held in store. I left them with the thought that no chain is stronger than its weakest link, and that the weak link in your organization at that time was the need for far broader membership. Only by forging a strong membership link, I said, could they go forward to bring about the changes and improvements that were necessary in our Federal work force.

And then I saw you arrive on the scene as president of this great organization, and to me your record of achievement is an inspiration. If I could have spelled out in detail the plans and the specifications to accomplish the purposes I urged in San Diego—if I had prepared a manual on how to build a stronger organization and on the essential parts—you could not by placing it in effect have done a more magnificent job than you have, on your own initiative, on behalf of the people you represent here today.

Your leadership has been wise, devoted, effective, and farsighted. The record you have made is truly amazing. You have succeeded in doing for your organization what it needed most, through your outstanding leadership. You have indeed forged the strong link that was wanting. Aside from your personal dedication, you have gone far above and beyond the call of duty. It is a tribute to you personally, and perhaps the one factor that has lent the greatest impetus to the forward strides in membership and strength, that you were able to inculcate in your members and other employees a sense and understanding that you, as their leader, could and would do for them what they most need. You have impressed them that you are always ready, willing, and able to fight for the principles and the benefits that your organization stands for—the high principles of good government and public service, allied with a sound program of Federal salaries, fringe benefits, and proper adjustments in keeping with the economy and the times. You have made them realize, as you and I do, that the only way to succeed in these endeavors is by having a strong and forceful and determined organization, with a community of interest, that will fight for these principles and benefits under enlightened leadership.

But there is also another essential ingredient. This may be the most difficult one. It is a sense of timing and reasonableness. To be reasonable under trying circumstances, when it may affect not only the Nation but the welfare of millions of people, often is the most difficult approach to a problem. This difficulty is aggravated when it seems that everything else—every pressure, every feeling, every desire tends to make one be otherwise.

What you have done today, Mr. Griner, in supporting the President's program for Federal employees and his guideposts to protect our national economy, has my greatest admiration. It is in keeping with the traditional loyalty and patriotism that has always characterized both you and your organization. The unselfish and statesmanlike willingness to accept lower salary levels immeasurably

strengthens the hand of our President and his advisers in guiding our country in a time of national emergency when peril threatens from international communism. The difficult position in which you, and we, find ourselves certainly is not the result of anything that anyone here in this room did or did not do. It is something over which we have no control.

I know you as a patriotic American and as a determined and able leader. Neither you nor any member of your organization need bow to anyone in your high degree of loyalty and patriotism. I think you could point justifiably to the fact that right now, in Vietnam, many of our soldiers and sailors and marines and airmen fighting there are members of your organization or are the sons of members.

Many of us experience difficulty in fully understanding the combination of contradictory circumstances we face today. We attempt to perform our responsibilities, as you do on the one hand, to keep faith with the people you represent. At the same time, we fully realize if communism is to be checked this is the time and the opportunity to do it at the least cost in lives and suffering and privation. We here on the homefront face one of the greatest perils a nation can face, and look to our fighting men to protect us. We can do no less than to back them in full measure by maintaining a sound economy and maximum production while guarding against the dark and grave potentialities of inflation.

There is nothing in our national or personal everyday lives more insidious and dangerous than inflation. Our very system of free enterprise and democracy in government could lend itself to inflationary trends were such trends not curtailed at the very beginning. The President of the Nation upon a number of occasions has spelled out exactly how serious he considers the danger of inflation. When the President and his administration, on whom are imposed the stupendous responsibilities of our Nation's domestic and foreign affairs, in their wisdom and with all of the facts take the position embodied in the President's pay message, certainly they must have our support. There certainly can, and will always, be honest differences of opinion, and minority views are entitled to recognition, but such opinions make the task of restraining inflation more difficult.

The word "inflation" in a sense is a tricky one, because it does not adequately portray the dangerously explosive potential that is really involved. I do not see how the President can be in a position to ask the steel industry, the aluminum industry, the automobile industry, or any other industry or labor organization outside of Government to observe the guideposts he has established to counter inflation if he does not apply the same principles and standards in dealing with Federal employees. Employees in the private sector share many problems and desires with employees in the Government, and also have differing ones. Our fellow workers in private enterprise also have different ways, means, and avenues of trying to solve their problems than exist for Government employees. Nevertheless, the President would be in an embarrassing position, to say the least, were he to seek to do for Government employees more than that for which he asks other employees to settle in their dealings with private employers. If the President is going to be at all fair and consistent, he had no choice but to take the position he has taken in officially recommending the legislative proposal now before us.

The choice must have been very difficult on his part. It certainly is difficult on your part and on ours. There is some feeling that the rank and file of our 2 million or more Federal employees, lacking full knowledge and understanding of all of the facts, may not realize the seriousness of the true situation as it affects their personal interests. This, I know, has made far more difficult your decision to take the approach you have. Quite the opposite course would have been far easier for you—a course toward the more liberal program you have so ably justified, but one disregarding the true national interest. But I have a deep and abiding faith in our Federal employees, and I sincerely believe that they will understand and support the course you have taken as a courageous leader and a patriotic American.

I do not think I will ever have to defend myself from any criticism of my efforts over the years to help better postal and other Federal employees in their everyday life and in the measure of compensation to which they feel entitled. During my entire 23 years of service in the Congress—first on the former Civil Service Committee and, since 1947, on this committee —in all of my congressional life I have worked and fought for justifiable levels in Federal employees' pay and fringe benefits. I have never taken any other position. I have always asserted that Federal employees are lagging behind the private sector and have never caught up. I still do.

I believe the record amply demonstrates that I have kept up this good fight throughout the years. I have never changed my feelings or convictions and never will. If I may be forgiven a personal reference, I think perhaps I have been on the firing line for Federal employees longer than any man sitting in this room today. I will stand on my record, which speaks for itself. Nor is there any human being who has gained greater personal satisfaction from helping his fellow men in their striving to a better life than has been my good fortune.

I had hoped this year that many things could come about, and that I could contribute in some measure to a better life for our Federal employees through richly deserved adjustments in their pay and fringe benefits. Frankly, my hopes were based on measures considerably more liberal than that now being considered.

I have always set my sights a little high, and then devoted all my energies along the lines of my high sights. Those who do not aim so high—those who on occasion have opposed salary and benefit legislation for Federal employees—will always take care of lowering the sights. If sights are set high enough, those who have lower targets or none at all can play their part and the usual result, after the Congress has worked its will, is a reasonable compromise worked out on a give-and-take basis. Results from this policy have been rather substantial, and certainly of the kind that give considerable personal satisfaction to those who helped obtain them by setting high sights in the first place.

However, this is a time of trial for all of us. I believe we must make up our minds, regardless of what we would like to ask for and fight for and hope for, that we must recognize that what Federal employees really deserve and want and hope for will come on a future day.

As far as concerns your friends on this committee and others best qualified to judge the national interest, I think the sooner we realize this the better it will be for all concerned. The emergency in Vietnam,

the harsh impact on our economy, the timing of these factors, are matters over which neither you nor we have control. But what we do here, the value of your good advice and counsel, will have a major role. Your decision—the position in support of the President you have taken—has required great courage and deep understanding. I think it is a wise and proper decision. I think in future years that all those people—and I hope they are few in number—who do not understand the decision because they have not had access to the facts as you and I have, will thank you from the bottom of their hearts and appreciate and commend you as we do here today.

I want you to know, too, that I realize the problems faced by you and your members differ, in many respects, from those that confront other organizations and groups who have taken the same position as yours on the President's proposal. Therefore, it is readily understandable that your position varies in some measure from that taken by each of the others. But, although there are differing problems, responsibilities, and duties, the important thing is that, in the final analysis, you have joined with other great Federal employee organizations in support of the sound and essential national policy on which the President's proposal is based. All members of your organization may take just pride in your leadership. I will say, as I have said to other leaders, that this is your finest hour. Perhaps because your support for the President is the most difficult decision of your life, this will make it the finest hour in your personal life and in the records and annals of the fine organization you head.

You have my most sincere congratulations and deepest admiration for the position you have taken here today.

Mr. GRINER. Thank you, sir.

Mr. UDALL. The Chair would like to say that there is no Member of Congress more knowledgeable and more dedicated in this field than the vice chairman who just spoke. As one member of this committee, I want to second what he just said.

We thank you, Mr. Griner, Mr. Voss, and Mr. Walter, for coming here today.

Mr. UDALL. The next witness is Mr. Nathan T. Wolkomir, president, National Federation of Federal Employees, accompanied by Irving Geller, director of legal and employee relations.

While these gentlemen are taking their places, the Chair will observe we have 12 other witnesses schedule for tomorrow, and we obviously are not going to get to them this morning. I would say there is no House business scheduled this afternoon, and it is the intention of the Chair to reconvene this session at 2 this afternoon to complete the witness schedule for today. So if you plan to be with us at 2 this afternoon, we will take your testimony at that time. I hope the members of the subcommittee who are available will be with us this afternoon.

Mr. Wolkomir, you represent a fine and busy and important organization. We are happy to have you with us. You have always been helpful to the committee. We are anxious to hear what you have to say.

STATEMENT OF NATHAN T. WOLKOMIR, PRESIDENT, NATIONAL FEDERATION OF FEDERAL EMPLOYEES; ACCOMPANIED BY IRVING GELLER, DIRECTOR OF LEGAL AND EMPLOYEE RELATIONS, AND DR. HAROLD FINNEGAN, LEGISLATIVE ASSISTANT

Mr. WOLKOMIR. Thank you very much, Mr. Chairman.

My name is Nathan T. Wolkomir. I am president of the National Federation of Federal Employees. To my right, I have the chief of our legal and employee relations staff, Counselor Irving Geller, and to my left, my assistant on legislative matters, Dr. Finnegan. We have members in virtually all departments and agencies worldwide. I wish to express the appreciation of our organization to the chairman and members of this subcommittee for their sympathetic and understanding interest in the vitally important subject of compensation as it affects Federal employees, the Federal service and, in a larger sense, the public served by these employees.

Mr. Chairman, the basic issue with which we are confronted is clear and the solution to the dilemma in which the Federal Government finds itself is plain.

The issue is that despite a clear statement of policy set forth in previous pay legislation, the comparability principle is not being followed in various grades. The administration, while giving lip service to that vital principle, has persistently taken a position in opposition to its effectual implementation.

May I add, gentlemen, "expedients are for the hour, principles are for the ages."

As a result of the administration's position, the 1965 pay legislation fell substantially short of achieving its objective, which had been soundly met in the bill sponsored by the distinguished chairman of this subcommittee, Congressman Udall, and may I also state other legislation presented by other members of this committee.

A similar situation, however, confronts us today. The administration continues to give lipservice to the comparability principle but opposes meaningful action to put it into effect.

Since the passage of the 1965 pay act, many Members of Congress have expressed the view that the forward steps which were not taken in the measure which finally passed in the closing hours of the 1st session of the 89th Congress should be taken as soon as possible in this session. With this view the National Federation of Federal Employees is in wholehearted agreement.

We therefore urge prompt action on pay legislation in this session so that we can avoid the situation in which we found ourselves in the last session; namely, an inequitable take-it-or-leave-it position.

Responding to the recent administration omnibus proposal to include in one place the recommendations relating to Federal employees' pay and fringe benefits, I am taking this opportunity to also state the position of NFFE on the more significant proposals. NFFE therefore recommends:

(1) A 10-percent across-the-board increase, with 5 percent effective January 1, 1966, and 5 percent effective January 1, 1967, and this, gentlemen, will merely close the comparability gap; it will not overcome it.

(2) Provision for the payment of time and one-half for regularly scheduled work on Sunday.

(3) Extension of the Classification Act to include:

(*a*) all wage board positions in grades 1, 2, 3, and 4 except those wage board positions in construction and lithographic work.

(*b*) clerical employees in the Selective Service System (case studies attached are an indication of the problems Federal employees face).

Now, I state we now have Senator Brewster's bill, S. 105, and several other bills in the House, that are proposing this very thing. With reference to these case studies, gentlemen, I would like to call your particular attention to several of the statements made and I will cut them short.

One of our selective service employees writes:

> Even though we are required to pass a pedestrian GS–2 test, we remain ungraded and regardless of excellent ratings or any individual efforts to do the best possible job, over and beyond the requirements in the clerk's manual, we continue ungraded. Unfortunately, the excellent rating is nonedible.

Another:

> Please send an application for membership in your union, even though the $14 is hard to get. Until January 1965, my annual salary barely reached or exceeded $2,000 as a local board clerk with the selective service program. Who can I write to or what can I do concerning the bills presently proposed?

Another one states:

> I regret it fully, but having years of experience, passed recent current examination for GS–3, but get the salary for a beginning GS–1, and I have been with the Selective Service System for 3½ years.

Another one:

> I had my civil service rating before I went to work for selective service. I have never had an ingrade raise the full 6 years I have been here, with no rating whatsoever.

These are just samples, gentlemen, and I believe the members of this subcommittee have received other letters from us, exemplifying the situation in the Selective Service System today.

Certainly the selective service boards are doing an excellent and patriotic job, but I am wondering whether the subcommittee is aware of the fact that 90 percent of the work prepared for our selective service boards are done by the clerks. Many of these clerks don't even have typewriters or desks to work with and they are told, when they need assistance, to go and get some high school help.

A third Classification Act incorporation we recommend would be the county office employees of the Agricultural Stabilization and Conservation Service. This, of course, was embodied in S. 2206, testimony presented by Senator Monroney.

No. 4 of our program, establishment of uniform and equitable system for wage board administration to include longevity pay increases for wage board employees and provide for a minimum pay rate of $1.75 per hour.

(5) Provision for the payment of all time spent in travel on official business as contained in Congressman Krebs' bill, H.R. 10298, and H.R. 10299 presented by Congressman Olsen.

(6) Repeal of the acceptable level of competence requirement before an employee can be granted a within-grade increase.

I would like to call to the particular attention of the subcommittee the fact that even though the passed bill did provide an appeal

procedure, that there is a distinction between appeals and the hearing procedure. There is no confrontation whatsoever in an appeal; the employee is not heard. A record presented by those who are the supervisors and representing the management group sends their data to the Civil Service Commission and this is the basis for the entire appeal. It is merely review.

(7) Amend the employee health benefits law to require the Government to pay 50 percent of the cost.

(8) Amend the employees life insurance law to (*a*) provide insurance of 150 percent of the salary, (*b*) reduce the rate of depreciation from 2 percent a month to 1 percent a month with a maximum depreciation of 50 percent, and (*c*) require the Government to pay 50 percent of the cost of the program as generally recommended by Congressman Daniels' bill, H.R. 11879.

(9) Provision for optional social security for Federal employees independent of and in addition to the retirement systems as now enjoyed by many State, county, and municipal governmental employees.

(10) Provision for transfer-of-credit arrangement with social security.

(11) Provision that employees and their survivors who do become eligible for civil service retirement benefits be guaranteed an amount from the civil service retirement system—or, if they are also eligible for social security benefits, from civil service and social security together—at least equal to the amount which would be payable if the Federal service had been covered under social security.

(12) Provision for optional retirement on full annuity be permitted beginning at age 55 after 30 years of service and at age 60 after 20 years of service. Another, 30 years regardless of age. The question of whether the Government, as employer, should be allowed to initiate the option for retirement of employees who are at GS–13 and above and are 55 years of age with 30 years of service is a separate and distinct matter and should be so treated. NFFE strongly objects to the adverse action aspect inherent in permitting agencies to effect involuntary retirements.

(13) Approval of the proposals for improving the financing of the retirement fund. It is to be realized a one-half percent increase in withholding is that much less in going-home pay, thus reducing even more the administration proposal.

Mr. Chairman, the administration's guideline increase figure; namely, a top of 3.2 percent, including fringe benefits, simply does not face up to the facts of life in the Federal service today. Pay increases alone in the private sector have gone substantially beyond that level, as they necessarily must in view of rising living costs and other factors.

As an offside, may I call attention of the committee to the fact that the Appropriations Committee unanimously approved a $13.1 billion appropriation for the Vietnam war effort; $2 billion of this is to be spent in the private endeavor for those who are going to prepare for the ammunitions and the type of weapons that are needed.

I would like the committee to investigate this matter, how much of that $2 billion is going into overtime, double time, with a complete disregard of the 3.2 factor. Also, is the committee aware of the fact that today many Government employees are working on what is known as an uncommon workweek. They are being held to their 40 hours a week, working two 8-hour days and four 6-hour days, with

no extra compensation, in spite of the additional cost for their travel on the sixth day, their lunches, and the loss of their travel pools. The Federal service continues to find itself handicapped in recruiting and retaining qualified employees in many grades because of the failure to implement the comparability provision of the pay law.

In connection with the administration's guidelines, an economist has recently pointed out that they have been extensively ignored in the private sector and that the administration has been "capricious and discriminatory" in its efforts to enforce these arbitrary restrictions. Certainly the administration is in an anomalous position as it piously affirms its devotion to the comparability principle and then marshals all of its influence to defeat it in practice in legislation affecting Federal employees.

The Federal Government is the largest single employer in the Nation.

Surely it is reasonable to expect the Federal Government to show the way to the private sector in progressive measures affecting the men and women who serve it.

But we find that the contrary is the case.

The Federal Government is not a leader but a laggard follower in most aspects of employment conditions.

I direct the subcommittee's attention to the long-delayed report by the Bureau of Labor Statistics, U.S. Department of Labor, which compares the fringe benefits of Federal employees with those of nonproduction workers in private industry. Since this report is conceded to be out of date, but is dated December 1965, it is reasonable to assume that the disparity between Federal and private fringe benefits has widened rather than narrowed. Indeed, the only substantive advance made by the Federal Government in this period has been in the matter of severence pay, a proposal originally made by the NFFE, adopted by the President's Pay Panel, and approved by both Houses of Congress in the 1965 pay law.

Mr. Chairman, in considering pay legislation at this session of Congress it is proper, appropriate, and indeed essential to view it in the light of the facts divulged by this BLS report.

Industry expenditures for fringe benefits amount to 23.8 percent of base salaries as against 23.5 for Government. Moreover, in such key fringes as retirement and group insurance, the gap is emphasized by the fact that Federal employees pay 6½ percent toward their own retirement and two-thirds of the insurance premiums which in many businesses are paid for in their entirety by the employer. Moreover, the BLS study shows the extent of such fringes as yearend bonuses, thrift plans and the like for which, of course, there is no counterpart in the Federal service.

The BLS report makes this very pertinent point:

> Under today's many-faceted systems for compensating employees, regular pay for hours actually worked is an inadequate measure of a worker's total earnings.

Mr. Chairman, that statement has great significance in connection with the whole question of pay in the Federal service, which the subcommittee now has under such active and intensive study.

We certainly believe that in any consideration of pay the matter of fringe benefits should be taken into account.

What we now are confronted with in the Federal service is a pay schedule which even the administration admits fails to meet the test of comparability.

At the same time, the BLS study provides hard-fact evidence of our often repeated contention that in fringe benefits as well, the Federal Government is lagging.

Between these two situations, namely, noncomparable pay and lagging fringe benefits, it will be seen that the plight of the Federal employee is worsening in a period of rising living costs, and the Federal Government has no claim to leadership in its role as the Nation's largest employer.

Mr. Chairman, the Federal Government is engaged in many programs which require the highest degree of competence on the part of those charged with carrying them out. It must compete with business and industry for this talent and know-how.

Mr. UDALL. Mr. Wolkomir, at this point we are in violation of the rules of the House, because it is going into session. I am unable to continue now, but I will ask you to return here at 2; we will pick up at the top of page 7 of your statement, finish your testimony, and have time for questions of the members.

The subcommittee stands adjourned until 2 this afternoon.

(Whereupon at 12 noon the subcommittee was recessed to reconvene at 2 p.m. this same day.)

AFTERNOON SESSION

Mr. UDALL. The subcommittee will come to order.

Mr. Wolkomir, you and your associates may proceed. I think we were on page 7 of your statement when we interrupted for the luncheon break.

Mr. WOLKOMIR. Thank you, sir. To further highlight the need for the highest degree of competence in Government, we call the committee's attention to the fact that every Sunday the major groups publish literally hundreds of large display advertisements placed by business and industry, seeking qualified employees. A reading of these advertisements is illuminating. It reveals the degree to which the Federal Government is lagging in pay and in fringe benefits. The same story is repeated in newspapers and periodicals in every major area in the Nation. The skills sought run the gamut of every discipline, every profession, every trade and technical qualification. It should be noted, too, that for some key posts, States, municipalities, and institutions of higher learning have higher pay schedules than does the Federal Government.

A 10-percent increase in Federal pay, 5 percent effective January 1, 1966, and 5 percent effective January 1, 1967, as we have recommended, would move the Government forward in this vital area and would improve its position both in recruiting and retaining employees. It would do much toward placing the Government in the position of meeting its commitment to pay salaries which are reasonably comparable with those in the private sector.

We have urged the subcommittee to include in its 1966 pay legislation provisions covering wage board employees. Although the Civil Service Commission presently is working on a plan for a uniform system of wage board administration—a step pioneered and strongly

urged by the NFFE—it is our view that this important matter should be the subject of congressional consideration and action. Thus, we urge the subcommittee to provide in this bill the legislative authority and framework for a uniform and equitable system of wage board pay administration, together with provision for longevity pay increases for wage board employees.

In this connection, Mr. Chairman, I might point out that shocking as it may seem it is true that there presently is no provision for wage board longevity increases, to reward highly skilled long-service employees.

Moreover, the NFFE has found that there are many wage board employees—certain employees of the Veterans' Administration, for example—who have had no upward pay adjustment for so long as 10 years. It is evident that this entire wage board situation needs a thorough revision. For our part, we believe it wise and prudent for the Congress to lay down some guidelines for the executive branch in this matter—including problems which the executive branch has studiously swept under the rug for too many years.

We have recommended that the first four wage board grades with certain exceptions, be transferred to the Classification Act. This would include thousands of food service employees, laundry workers, laborers, and others who are receiving substandard wages. These employees have been adversely affected by current wage board practices and have been seriously disadvantaged all through the years without benefit of decent pay increases. We are convinced that placing these first four wage board grades under the Classification Act would go a long way toward solving some of the most difficult and disheartening problems with which we are confronted.

As you are aware, wage board employees' rates are based on comparable wages paid in the private sector. Private unions have failed to secure decent wages for employees in the food service, laundry and custodial laborers occupations in the private sector and as a consequence wages for governmental employees have remained at an incredible substandard level.

As an offside, it is to be remembered under the Classification Act all wage board employees' rights are executed by the executive branch. This was a delegation by the legislative branch to the executive branch under the revision to the Classification Act. Please observe by the examples cited, the dangers that were inherent to the concept that the executive branch is dealing equitably with its employees.

The Government must establish itself as a model employer for employees in the lower grades. Their placement under the Classification Act will permit Congress an opportunity to make a periodic review in occupational areas where the executive branch has been derelict. I'm sure that this committee is aware that a large number of employees in these occupations are among the economically depressed and disadvantaged groups.

Mr. Chairman, we are urging the subcommittee to eliminate the so-called acceptable level of competence provision of the pay law.

Again, as an offside, we reemphasize the differences between appeals and hearings. Under the revision to the pay bill in the last session of Congress, the right of appeal only was granted. The reason why we are urging the subcommittee to take that action is simple and need not be labored. The fact is that the provision just doesn't work.

It cannot work, in the nature of things. It is unfair and inequitable. It makes for serious administrative difficulties. It gives rise to favoritism, dissatisfaction, and distress far out of proportion to any questionable good that it may accomplish.

Of course, the total number of increases withheld because of failure to meet the acceptable level of competence is small. The Congress recognized the basic unsoundness of this proposition when, at the last session, it provided for an appeal to the Civil Service Commission in such cases. It is significant, too, that here, as in other instances, Civil Service Commission spokesmen went to great lengths to defend an essentially untenable position. The provision should be eliminated in its entirety at this session so that the granting of regular increases may be resumed in the manner and context contemplated in the original legislation.

Mr. Chairman, on behalf of the National Federation of Federal Employees I again wish to express our thanks and appreciation for the interest shown by the members of this subcommittee on this very important issue, and for your action in scheduling these hearings early in the session. It is our earnest hope that the subcommittee will, as a result, be able to report a bill shortly and that it can receive prompt action in the full committee and on the floor.

Mr. UDALL. Thank you, Mr. Wolkomir, for an aggressive and helpful and very interesting statement. Without objection, the attachments to your statement consisting of various communications, will be made a part of the hearing record following your testimony.

Mr. WOLKOMIR. Thank you very much.

Mr. UDALL. We are honored to have with us this afternoon one of the most distinguished and diligent and able men of our committee, the gentleman from North Carolina, Mr. Henderson. I understood he wanted to comment on one of the features raised in your testimony here, a matter which has long been of interest to him.

Mr. HENDERSON. Mr. Chairman, I am very appreciative of the opportunity and I appreciate you and the witness giving me a minute or two here to speak on the recommendation that clerical employees in the Selective Service System be included under the Classification Act.

Mr. Chairman, for the record, I think we could note that for several years I have been interested in this problem. There have been several bills introduced to extend the Classification Act to these employees. And you will recall that last year when the pay bill was before the full committee I pointed out at that time that even though our committee had, I thought, been very fair and generous in providing that the pay increases contained in the various bills that had been before the committee and the Congress, provided for comparable pay increases to these employees, that by the fact that they had never been classified as Classification Act employees that their basic pay structure was completely out of all reason, and I think the problem here has been that they are such a small number of employees, comparatively speaking that they have not received the due consideration and attention that they should have had.

It is my understanding, Mr. Chairman, that this system grew up during World War II. I would point out that the State selective service employees are Classification Act employees, but when you get to the county level you will find that what was proposed—and I

would say perhaps has been followed generally—is that they be paid comparable wages with other employees at the county level.

It is my understanding that that has been interpreted by the Director of the Selective Service and by the State directors to mean comparable to other county employees, not comparable to Federal employees working in the county seats. So we would find now that agriculture workers, ASCS employees, other Federal employees, located in any county across the Nation are paid on some scale other than the scale that prevents the Selective Service employees getting fair pay for their work. I think that at this time, when our Nation is again involved in such heavy draft board work, that we can no longer in good conscience overlook the fair pay scale for these employees and nothing could be fairer than to bring them under the Classification Act; let the Civil Service Commission set their job descriptions and their level of responsibilities, and set their basic wages at what they should be, Mr. Chairman.

I think that it would be very easy for me to prepare a long detailed statement of statistics, perhaps clutter the record with it, and I am tempted to do that in an extension, if it would convince the subcommittee and the full committee this action ought to be taken. But I do not believe that that is necessary.

But I do want to commend Dr. Wolkomir for including this as a position of his on this occasion, and certainly want to urge the subcommittee to give this matter very favorable consideration even though it has not, through the past years, been recommended by the Selective Service Committee.

I must conclude, Mr. Chairman, by saying that this has been the biggest disappointment to me, that the Director of the Selective Service System has not in past years been the first one up before our committee taking this position for Selective Service employees.

Mr. UDALL. I would say if my friend cares to submit a statement of statistics, arguments, et cetera, we would be glad to have them for the record. This is an important matter; it has been raised by other witnesses.

The gentleman from North Carolina asked specific permission to appear and testify in favor of an amendment along these lines, so we arranged for him to come here this afternoon and make his position clearly known to avoid a conflict he had in his schedule next week.

Mr. HENDERSON. Thank you very much, Mr. Chairman. I might say it is a little difficult for me to understand why every Member of Congress hasn't been lobbied, we might say, by the employees from every county or from every Selective Service Board in his district. I believe they will be. But they need a broader basis; they need our consideration.

I believe that if each member of the subcommittee and our full committee would take the time to find out what is happening, paywise, to these employees, in his own local draft board, that each member's decision would be a clear one.

Mr. UDALL. I thank the gentleman.

I think this again illustrates the need for aggressive broad-scale Federal employee organizations such as yours. Many times these people in a position which Mr. Henderson described have no way of making themselves felt on the national scale. and it is only through organizations like yours, Mr. Wolkomir, that problems and inequities of this kind can be brought before the Congress in an effective manner.

I commend you for bringing this to our attention. I thank my friend from North Carolina, who has had a long record of devotion to correcting this particular inequity in the law as he sees it, for being with us today.

Mr. HENDERSON. Mr. Chairman, I think in conclusion I might say that all of us should be very fearful of an argument that could be made with regard to these Selective Service employees. They have one of the most sensitive jobs that I know has been performed in the Federal Government in the last 25 years. It is taking our boys, and getting them on buses and getting them off to induction centers. They have done a tremendous job for us, at a sacrificial pay. Even Members of Congress know that they have done a good job. We have had opportunities to appreciate their work and see their work.

A strong argument could be made that many other Federal employees are overpaid, and they ought to be cut back in line with the type of pay that these Selective Service employees have had, because of the very fine public service that they have rendered to us. This to me would be one of the most unfair arguments that could be made and I am very happy to join with you today to say that the Congress and America must demand fair pay for these employees.

Thank you, Mr. Chairman.

Mr. UDALL. Thank you.

Mr. WOLKOMIR. Mr. Chairman, we are certainly most appreciative of Congressman Henderson's remarks, and both his profound and keen analysis of the problem. I would like to inform Congressman Henderson that all 5,000 boards in the United States of America have been contacted and we have representative members throughout the entire country who have just recently joined in this endeavor in order to get them under the Classification Act. These people, you can rest assured, sir, as you suggested, will be in contact with their respective Congressmen and Senators.

Mr. UDALL. Mr. Wolkomir, how many members are in your organization? What is your total membership in NFFE?

Mr. WOLKOMIR. Total membership, including those that we speak for under exclusive recognition, runs to approximately 125,000 members. This number includes those under exclusive recognition and members at large. And this is not exploded in any way.

Mr. UDALL. Of the 125,000, how many dues-paying members do you have?

Mr. WOLKOMIR. Dues-paying members run approximately 85,000, honorably paying members.

Mr. UDALL. I was interested in page 2 of your statement. You suggest and recommend that all wage board positions 1, 2, 3, and 4 be abolished and that these people be placed under the Classification Act.

Mr. WOLKOMIR. That is right.

Mr. UDALL. If this occurred, I assume they would receive more pay in most cases than they receive now under the wage board fixed rates; is this correct?

Mr. WOLKOMIR. This is correct. It would bring them up to what we consider an equitable wage for the lower group of wage board employees.

Mr. UDALL. I am surprised to hear this, because generally satisfaction has been voiced with the wage board arrangement. It is often

compared favorably with the Classification Act provisions. Could you tell me in a few words why these people who are lower on the wage board scale do not receive as much pay as they would if they were under the Classification Act?

Mr. WOLKOMIR. I believe I emphasized the fact in the private sector unions this is the element and group for whom they have not received any decent equitable type of wage. As a result, their standards are much lower in the private sector. Therefore, when we conduct wage board surveys and try to compare it against the private sector, the mean is below what we even consider a poverty wage today. This is the reason for it.

Do you want to augment that, Mr. Geller?

Mr. GELLER. If I may, Dr. Wolkomir alluded to the fact that in the VA there are several hundred employees who have not received a pay adjustment for 10 years and I think this is a shocking thing.

Mr. UDALL. Are these laundry workers?

Mr. GELLER. They are a combination of food service workers, laundry workers, and custodial labor. Further than that, there are thousands—and I would estimate in the neighborhood of 25,000—who have received inadequate pay increases because they are compared with the wages set in the private sector. And this is a shocking but truthful statement.

Mr. UDALL. All right. Thank you.

The gentleman from New Jersey.

Mr. DANIELS. Mr. Chairman, I do not have any questions to ask the witness. I want to explain that my absence this morning from this hearing was not due to any lack of interest. It was because of the fact that we have so many committee meetings to attend and I had to attend this morning a very important executive meeting of the general Subcommittee on Labor, which is considering a very, very important piece of legislation; namely, the minimum wage bill.

Mr. UDALL. The Chair announced this morning that you had an important subcommittee hearing which was the reason for your absence.

Mr. DANIELS. I wish to apologize to Mr. Wolkomir and his associates for not having been present to listen to the testimony. I am sure that your statement was a very illuminating one. I have heard you testify in many other previous hearings. So I have no questions.

Mr. WOLKOMIR. It is most fortunate that you did come this afternoon, because we have made a recommendation for $1.75 minimum wage.

Mr. UDALL. Mr. Krebs?

Mr. KREBS. I just want to commend Mr. Wolkomir and his organization for an informative and important statement and I hope that it will have substantial influence on the deliberations of this committee.

Mr. UDALL. Thank you, gentlemen. We appreciate your help in these hearings.

(The following communications were submitted by Mr. Wolkomir and are printed here as part of the record.)

JANUARY 26, 1966.

DEAR NFFE: I am so happy to know that you are interested in the welfare of local board clerks.

Of all Federal employees, we are the only ones that go to work before daylight for the purpose of forwarding young men for induction into the Armed Forces. I usually leave the bus station in tears after witnessing the farewells to loved ones. There is always the possibility that some crank will take a shot at you.

I have been a local board clerk for over 13 years and my take-home pay at this time is more than it has ever been—$126.56 every 2 weeks. I am paying on my home and my car is over 9 years old.

Sure hope you can help us and if it could be made retroactive it would be wonderful (Even if it meant dipping into the antipoverty funds.)

Mr. NATHAN T. WOLKOMIR,
President, National Federation of Federal Employees,
Washington, D.C.

DEAR SIR: Thank you for your letter "1966, the Selective Service Year," and its enclosed information.

I am enclosing a half year's dues ($7) and application for membership. I am glad that finally someone is interested in helping local board clerks. I have been with Selective Service for 5½ years, having moved to this town because of my husband's health and work. I was a classified, career employee, GS-4, step 5 (clerk-steno). I started here at a salary lower than the beginning salary of a GS-1. After 5½ years I have had only one raise (because of an increase in registrants) that was not by an act of Congress. My salary now is the same as the third step of a GS-1. And this is the most responsible job I have ever had, because it involves the lives of young men. I am the one and only compensated member in this board. Thus I am delegated with the authority of managing the local board office and all the work.

The thing that makes us feel more discriminated against is the fact that clerical employees in all State headquarters are classified. The workloads imposed upon us now are terrific.

Please let me know if there is anything I can do to help in this drive to get us classified.

JANUARY 25, 1966.

Mr. NATHAN T. WOLKOMIR,
President, National Federation of Federal Employees,
Washington, D.C.

DEAR MR. WOLKOMIR: Thank you for your recent letter, and the interesting information enclosed.

Obviously, I couldn't agree more emphatically with the aims of NFFE, its opinions as expressed in your third paragraph, nor support more heartedly, the goals anent SSS, as you have outlined them.

Consequently, I would indeed be most happy to join. However, the moot question, being on what? Money? In your letter you indicated the attitude of the officials toward the clerical personnel and their wages, which leaves no allocation of funds for extracurricular investments.

Even though we are required to pass a pedestrian GS-2 test, we remain ungraded, and regardless of excellent ratings, or any individual efforts to do the best possible job, over and beyond the requirements in the Clerk's Manual, we continue ungraded. Unfortunately the excellent rating is nonedible.

It is my opinion that to efficiently fulfill the duties of a local board clerk, it is helpful to be part lawyer, diplomat, guidance counselor, substitute parent, recruiter, and some public relations ability is also useful. These qualities in addition to "the paperwork" are essential.

My plans, since last May, have been to leave the Service, as soon as a few personal problems have been resolved. As an SSS clerk, I have no alternative, despite my efforts to supplement my income by selling real estate on Saturday, Sundays, and using my annual leave when I have a prospective buyer.

One of my three children has just received his degree in veterinary medicine from the University of Pennsylvania. My daughter is a senior at the College of William and Mary, and is now applying to medical schools. My younger son is a sophomore at William and Mary, majoring in physics. It is my intention that their education be completed.

No doubt I shall continue in Government service, having passed the "5 year" mark this month. My final decision as to agency and location may rest upon Cathy's acceptance into medical school. When everything is settled, I shall, if I may, complete my application and return it, as I believe membership in the NFFE would be beneficial in any agency of the Government in which I may

finally be accepted. My preferences are rather simple, a position offering a challenge, and a full schedule of work.

I apologize for consuming so much of your time, and offering so little in support, and I offer my best wishes for a total success for the personnel who elect to remain with SSS.

FEBRUARY 2, 1966.

NATIONAL FEDERATION OF FEDERAL EMPLOYEES,
Washington, D.C.

DEAR SIRS: Please send an application for membership for your union.

Until January 1965 my annual salary barely exceeded $2,000 as a local board clerk with the Selective Service System.

Who can I write to or what can I do concerning S. 705 by Senator Daniel Brewster, of Maryland; H.R. 2195, by Congressman O. C. Fisher, of Texas; H.R. 6978 by Congressman Clarence Long, of Maryland?

DEAR SIR: I know how wonderful NFFE is but, sir, some Selective Service personnel are so poorly paid, that they can't afford the $14 fee. Yet we must get all work out exact and on schedule. I belonged to NFFE 20 years ago, when I was in civil service before marriage. After being left a widow I went back, was assigned to SSS and regret it fully. Have years of experience, passed recent current examination for GS-3—but get the salary for a beginner GS-1—Have been with SSS 3½ years, no raises, within grade, or otherwise. Why does Hershey permit this? It is a cheapskate agency.

I had my civil service rating before I went to work for Selective Service. I have never had an in-grade raise the full 6 years I've been there nor a raise in rating. If possible, I would like a wallet size card of GS ratings and wages.

Mr. UDALL. The next witness will be Mr. John A. McCart, operations director, Government Employes' Council, AFL-CIO.

STATEMENT OF JOHN A. McCART, OPERATIONS DIRECTOR, GOVERNMENT EMPLOYES' COUNCIL, AFL-CIO

Mr. McCART. Mr. Chairman, I am John A. McCart, operations director of the Government Employes' Council, AFL-CIO.

With your approval, I would like to have the formal statement, which we have presented to the subcommittees, included as a part of the record and to proceed to summarize it extemporaneously.

Mr. UDALL. Without objection, it is so ordered. The full statement will be made a part of the hearing record at this point.

(The statement follows:)

PREPARED STATEMENT OF JOHN A. McCART, GOVERNMENT EMPLOYES' COUNCIL, AFL-CIO

Mr. Chairman, the Government Employes' Council and its 30 affiliates, representing a large segment of Federal employees in the postal, classified, and wage board services, requests early action by Congress to provide equitable salary adjustments for those in the postal and classified schedules and improvements in other benefits affecting all Federal workers.

We appreciate the action of the Compensation and Retirement Committees and their chairmen, Representatives Morris K. Udall and Dominick V. Daniels, in arranging these joint hearings to secure all evidence available on the need for prompt revision of the present statutes governing pay, retirement, health benefits, life insurance, and related conditions of Federal employment.

The council is grateful to Congressmen Olsen, Daniels, Cunningham, Krebs, and Hanley, all of whom are members of the committee, for their sponsorship of

salary increase bills. Our appreciation extends also to Representatives Randall and Helstoski, who introduced similar measures. Almost all of them provide a 7-percent pay adjustment, which we believe is completely justified.

Commendation is certainly in order to the President and his assistants for their recommendations to improve pay and other conditions of Federal employment. It is encouraging to witness this constructive approach toward the advancement of conditions of these men and women as public employees. But we must honestly disagree with the specifics advanced by earlier witnesses representing the administration.

In October 1962, Congress wisely adopted the principle that thereafter the salaries of Federal classified, postal, and related occupations would be comparable with private enterprise rates. Unfortunately, this goal has proved somewhat elusive. Now, some 4 years later, these Federal employees are still searching for incomes which will make that promise a reality.

We recognize, of course, that progress has been made since the enactment of the Postal Service and Federal Employees Salary Act of 1962 toward achievement of the principle enunciated in that law. But, as a matter of fact, the basic aim of that statute has not been attained. And this despite the fact that the principal parties involved—the legislative and executive branches and the employees—all subscribe to the comparability concept.

Last year, AFL-CIO President George Meany served as a member of President Johnson's Special Panel on Federal Salaries. On April 14, 1965, he expressed general agreement with the recommendations of his colleagues on the Panel, but disagreed on several items.

One of these points involved "comparability." Mr. Meany offered these pertinent observations:

"But all we have is a concept, for as the report points out, full comparability has not been achieved. In much of Government employment, in fact, we have not even approached comparability.

"What is even worse, the majority of the Special Panel has failed to urge immediate achievement of full comparability. In my opinion, this is a grave disservice to Government employees and to the Nation."

Less than a month ago, the executive council of the AFL-CIO reiterated its support of Mr. Meany's 1965 position:

"We are concerned over the failure of the administration to propose to Congress measures to achieve full, current comparability between private industry and Federal Government salaries paid postal and other Federal workers."

We do not agree with the expression of Civil Service Commission Chairman John W. Macy on March 7, 1966, that adoption of the administration's proposals will obtain complete salary comparability for "nearly 1 million of the 1,800,000" employees involved in those recommendations. Even if the council did concur with the statement as factual, it indicates that only slightly more than one-half of the Federal workers in question have attained that goal after almost 4 years of operation of the comparability formula.

As in the past, employees are confronted with a serious problem in the pay-fixing machinery which has plagued them since the inception of the concept of a Federal pay structure reflecting changes in private industry. I refer to the lapse of time between collection of data on private sector rates by the Bureau of Labor Statistics and the translation of these figures into concrete salary recommendations by the executive branch to Congress.

Bureau of Labor Statistics Bulletin No. 1469, which reports the most recent survey of private sector salaries used as a basis to compare Federal and postal pay, was developed on findings in February-March 1965. This week, 1 year later, the Congress received administration recommendations for adjusting Federal salaries. At least some of these private industry salary rates were established in 1964. If the executive branch's suggested effective date, January 1, 1967, is accepted, employees will be paid rates prevailing almost 2 years before. And, in many instances, they will not be comparable with private industry scales even that recent.

From a technical standpoint, it is possible that the processing of salary data collected by Bureau of Labor Statistics and its assimilation by the Civil Service Commission and Budget Bureau cannot be substantially accelerated. This does not justify restricting salary movements of Federal workers to the level attained a year or two ago by employes of private concerns. Rather, it emphasizes the necessity for congressional action to provide pay for postal and classified workers reasonably current at the time of enactment. People with family responsibilities should not be required to suffer economic hardship because the

machinery for fixing their salaries cannot keep pace with current developments in the labor market.

Nor can reliance on salary levels in private firms serve as an adequate substitute for obvious facts. The Consumer Price Index for December 1965, was calculated at 111. This figure represented a record high for the third consecutive month and was 2 percent more than in December 1964. The cost of essentials, such as food and gasoline, has risen further this year. The simple fact is that it costs a Government employ more to feed, house, and clothe his family today than a year ago.

Government employees are quite conscious of the necessity for all-out support of our effort in Vietnam and the desirability of curbing any serious inflationary tendencies in the economy of our country. As public workers, they have an opportunity to contribute daily to effective Government service. The basic question, however, is whether their salaries will enable them to acquire and maintain a decent standard of living. If not, action must be taken to assure them that they will at least keep pace with the general wage trend in the private sector.

In May 1965, AFL–CIO economists announced the results of updating the Labor Department's city worker's family budget for 1959. These calculations revealed that an average worker with a wife and two children, 13 and 8 years old, required $6,418 to purchase necessities and a few amenities. No allowances are made in this figure for savings or luxuries.

Federal employees in level 4 of the postal schedule and GS–5 of the general schedule would have to occupy step 9 of their grades before receiving this amount. Thus, a postal worker would have to be in level 4 for 12 years and his classified counterpart in GS–5 for 18 years before attaining the modest annual salary indicated in the updated city worker's budget.

Even under the schedules developed from the administration's proposal, the city worker's budget figure would only be available at step 8 and above. While a substantial number of Federal employees are assigned to higher grades than those noted above, there are even more who must earn a living in the lower grades and levels.

The average increase involved in the administration's recommendations amounts to 2.85 percent. In the light of increases in private industry salaries, productivity, the time lapse between the most recent salary survey and the present, and the rise in the cost of living, the proposals before the committee for a 7-percent salary adjustment is needed to produce current comparability.

ANNUAL SURVEYS

Last year, the joint report of the Civil Service Commission and Bureau of the Budget on Federal and private salary systems asserted that the Bureau of Labor Statistics would seek funds to extend its surveys to smaller communities and smaller companies with less than 250 employees.

One step in this procedure has been undertaken. BLS Bulletin No. 1469 asserts that the geographic coverage of the 1965 survey has been expanded to include nonmetropolitan counties in addition to metropolitan areas. In this survey, however, the data were tabulated so that separate presentation of the metropolitan findings could be made.

The 1965 review continued the limitation of coverage to companies employing 250 or more workers. We do not know whether the initial proposal for expanding the survey to smaller firms has been abandoned. It is the view of the council that if any change is to occur in the size of the firms surveyed, it should be in the direction of larger establishments.

More than 75 percent of the Federal employee population is concentrated in large metropolitan areas. Living and working conditions of a great majority of Federal workers are geared to an urban economy. As an employer, the United States has far more personnel than the largest private corporation. Thus, it is logical to confine the survey to larger companies.

In 1965, also, the administration requested an amendment to the 1962 Salary Reform Act authorizing expansion of the present annual survey to State and local governments and nonprofit organizations. Fortunately, Congress did not concur in this request.

At present, we understand there is pending before the Appropriations Committees requests for funds to finance a survey of salaries and related benefits in State and local governments. We certainly have no objection to BLS undertaking such an examination. But we are most apprehensive that the results of this review will be used in some manner to compare Federal salaries with those in non-Federal government jurisdictions.

Parenthetically, it should be noted that employee organizations were not consulted to any degree in the development of these proposals.

All of these occurences could result in reducing the comparison yardstick to the detriment of postal and classified employees.

The council, consequently, heartily endorses a searching examination by this committee, either separately or jointly with the Senate Post Office and Civil Service Committee, into the annual survey methodology so that there will be a complete understanding on the part of the executive branch and the employees of the rules which will be used to make the comparison.

RETIREMENT

For many years, unions associated with our council have advocated the right of Federal employees—postal, classified, and wage board—to retire on full annuities after 30 years of service, regardless of age. In recent years, we have supported retirement at age 55 with 30 years of service and no reduction in pension as a step toward ultimate attainment of the first objective.

We are encouraged that the President has adopted the recommendation of his Cabinet Committee on Federal Staff Retirement Systems permitting retirement on full annuity with 30 years of service at age 55. However, we are quite apprehensive about that feature of the proposal permitting agencies to compel employees in this category to retire. Our concern is twofold.

Even if the contention of administration spokesmen that this mandatory retirement at 55 meets "a longfelt need of management officials" were valid, it ignores completely the numerous other methods of dealing equitably with employees at GS-13 and above, whom they believe are not producing as effectively as before. Reassignment to another agency or another position offers just one such possibility.

However, against this we must balance the absolute power Federal executives will wield over the decision to continue an employee or to require him to retire. At all times after reaching age 55 he will have the specter of compulsory retirement facing him. It is not at all unprecedented for agencies to use their present authority in the retirement field to penalize employees who do not conform or have personal difficulties with their superiors.

Apparently, there is to be no appeal from an unjust, compulsory retirement.

Our second concern is that adoption of the proposal with respect to GS-13 and above would be only one step in a process that would ultimately involve rank-and-file wage board, classified, and postal workers.

Thus, while the council endorses the concept of voluntary retirement at age 55 with 30 years' service and full annuity, we must object to insertion of the agency option to demand such retirement.

Acquisition of social security credit for employees with Federal service insufficient to obtain a vested right in the civil service retirement system and provision of annuity rights for employees and survivors at least equal to social security benefits are desirable improvements in the present system. We are happy to endorse them.

As in the past, the council is happy to support plans for eliminating the deficit in the civil service retirement fund and guaranteeing that it will contain at all times sufficient amounts to meet the claims of employees.

HEALTH BENEFITS

The council is grateful for the administration's recognition of the problem created by the real dollar decline in contributions by the Government to the health benefits program in comparison with the amount contributed by wage board, classified, postal, and other employees.

When the health benefits program was enacted, the general principle underlying cost was that the employer and employees should share this factor equally. However, under the precise terms of the law, the 50–50 relationship was applied only to the low-option indemnity plan.

Today, approximately 85 percent of Federal employees participating are covered by high-option plans. Initially, the Government's contribution to this kind of coverage was approximately 38 percent. But as the cost of this coverage has increased, the Government's share has declined to a point where it is now slightly less than 30 percent. Thus, the vast majority of the employees are bearing more than two-thirds the cost of their medical, surgical, and hospital benefits.

For this reason, the council was most pleased to learn of the administration's recommendation to restore the original relationship for sharing the cost. It

speaks well for the Federal Government in its effort to remain in the ranks of enlightened employers.

Nevertheless, our organization has maintained since its inception that the Government should improve its contribution to the program so that equal sharing of cost will be fact for all covered employees.

Time does not permit an extensive justification of our position. Let me refer simply to the Bureau of Labor Statistics study of wages and related benefits in 80 metropolitan areas for 1964–65 (Bulletin No. 1430–83). For plant workers, 58 percent of the companies provide hospitalization and surgical insurance coverage free to employees, while for office employees the figure is 46 percent.

In the light of this evidence, our recommendation for increasing the Government's share of health benefits premium to 50 percent is modest, indeed.

The Subcommittee on Retirement may desire to pursue this matter as a separate undertaking. If so, the council will be happy to testify in greater detail when such hearings are scheduled.

LIFE INSURANCE

Because Representative Daniels' bill (H.R. 11879) improving the Federal life insurance program has been referred to on several occasions during the course of these hearings, we feel it appropriate to comment briefly on this important phase of the Government's personnel policy.

It was disappointing to learn that the President's Cabinet Committee on Federal Staff Retirement Systems has limited its recommendations in this field to lifting to $30,000 the maximum coverage available and authorizing the Civil Service Commission to adjust the Government's contribution to the program.

On February 16, 1966, the council endorsed H.R. 11879 in hearings before the Subcommittee on Retirement, Insurance, and Health Benefits. The factual evidence which we offered supporting the measure is readily available.

In summary, the council emphasized rising costs of education, real estate, food, and clothing in justifying additional coverage for Federal workers. We pointed to the fact that retired employees may have only $1,300 or less for their survivors to meet final expenses under the present 2-percent monthly decline in the face value of policies after retirement. And we underscored private industry practice which has advanced far beyond the Federal Government formula for contributing only one-third the cost of life insurance premiums.

On this latter point, I refer once more to BLS Bulletin No. 1430–83 on wages and related benefits.

It reveals that for all the firms surveyed throughout the country, companies defrayed the entire cost of life insurance coverage for 61 percent of the plant workers and 53 percent of office employees.

Today, the Federal Government continues to pay less than one-third this cost.

MISCELLANEOUS

Several other matters affecting pay deserve the attention of the subcommittees. We will deal with them briefly.

Many of the salary increase bills under consideration here contain provisions for overtime compensation to substitute postal employees after 8 hours' work in a day. As a matter of equity, as well as conformity to a growing practice among private firms, the council feels this proposal is meritorious. In addition, it may add an incentive to establish more permanent career positions in the postal service. This is a desirable objective in any public merit system. It assures management of a stable work force, and provides greater career opportunities for workers.

The council supports additional compensation for weekend and holiday work as outlined in these measures.

We favor also the features of these bills removing the salary inequities which developed from the enactment of Public Law 68, 84th Congress, some of which were carried over into the 1962 and 1964 salary increase statutes. The language eliminating these undesirable salary relationships is commonly known as the Dulski amendment.

The assurance of the chairman that the Compensation Subcommittee will inquire into the application in the Post Office Department of the uniform allowance increase approved by Congress last year is welcome. Certainly the action of the House and Senate last year raising the maximum allowance to $125 was in recognition of the increased costs encountered by Federal workers in supplying the uniforms they are required to wear. Federal agencies involved, including the Post Office Department, should accept this positive action by the legislative

branch without compelling employees to bargain the matter under the terms of Executive Order 10988.

In January of this year, the council urged the Compensation Subcommittee to act favorably on bills authorizing overtime compensation for classified, postal and wage board employees who are required to travel on official business outside their normal working hours. I refer to H.R. 10298 and H.R. 10299. We repeat our support of this proposal and urge early action on the legislation.

In enacting Public Law 89-301 last year, Congress provided additional pay amounting to 125 percent of base salary for postal employees required to work on Sunday. The council supported this feature of the legislation before enactment, and we suggest now that it be extended to other groups of Federal classified and wage board employees in the interest of uniform benefits for all Federal employees.

Under existing law, regular time-and-one-half overtime payments to Federal classified workers terminates at the minimum rate for GS-9. Above that level, the overtime rate declines so that in the ninth step of GS-11 or the fourth step of GS-12 the employee receives less than his straight time earnings for working beyond the normal 40-hour span. We believe the overtime provisions should be amended to provide true overtime through grade 11. In no case should an individual receive less for overtime work than for regular hours.

While it has been necessary to prepare a comprehensive statement on the legislative items involved in this hearing, their importance required a careful statement of our position on them.

The President and his associates can take pride in their efforts to maintain the Federal service in a favorable relationship to advances in salaries and related benefits in the private sector. Unfortunately, in our view, the proposals do not meet this objective.

The changes we have proposed on these important matters will do much more to achieve comparability for Federal employees—postal, classified, and wage board.

We are deeply grateful to you and your colleagues for your careful, patient consideration of these proposals, which mean so much to all Federal employees and their families.

Mr. UDALL. You may proceed.

Mr. MCCART. At this point, Mr. Chairman, let me express our appreciation to you and to the chairman of the Committee on Retirement, Insurance, and Health Benefits, and to the members for arranging these hearings and to the numerous Members of the House and the members who have introduced legislation on salary and related benefits. I should like to express our appreciation to the President and his associates also, for making constructive recommendations to improve the position of the Federal employees, postal, classified, and wage board, not only on pay, but other matters.

However, we must disagree with the specifics of the administration's recommendations. The Congress wisely fixed comparability with respect to pay of postal and classified employees in October 1962. Since that time, the yardstick of comparability has been enunciated by various administration officials for other areas of personnel management. Unfortunately this goal has proved to be quite elusive for Federal employees, particularly with respect to salaries.

You will remember that last year, President Meany of AFL-CIO, served as a member of the Folsom committee, the Special Panel on Federal Salaries. On April 14, 1965, he expressed his general agreement with the findings of his committee colleagues, but expressed exceptions, one of which I would like to quote to you briefly. He talked about comparability and then said this:

> But all we have is a concept, for, as the report points out, full comparability has not been achieved. In much of Government employment, in fact, we have not even approached comparability. What is even worse, the majority of the special panel have failed to urge immediate achievement of full comparability. In my opinion, this is a grave disservice to Government employees and to the Nation.

Just last month, the AFL–CIO Executive Council reaffirmed this position expressed by President Meany a year ago. What President Meany said a year ago applies with equal, if not greater, force today.

During the testimony of the Chairman of the Civil Service Commission on March 7, before this subcommittee, he asserted that adoption of the administration's pay proposals would result in achieving comparability for nearly 1 million out of 1,800,000 employees involved.

We disagree with that statement, but even if we were to agree, it does not speak well for the achievement of comparability when approximately one-half of the postal and classified and related workers involved have not attained that status after a lapse of almost 4 years.

One of the other problems that has plagued the salary fixing machinery in question has been the lapse of time between the collection of salary data from private industry and its translation into pay schedules in the Federal Government.

It isn't necessary for me to elaborate on this to a great extent, because it has been talked about ever since the comparability concept was adopted. It is possible that not much more can be done about greasing the machinery further, so that the process of bringing these recommendations to Congress will be speeded.

More than a year has elapsed now since the last survey was conducted by the Bureau of Labor Statistics. We maintain that employees who have family responsibilities should not be victims of the inability of the machinery to catch up with the progress that is made in the labor market. If it becomes a question of not being able to resolve the problem of the time lapse between the collection of data and the application of that data, we think the Congress is well advised to move ahead and on the basis of the evidence that can be adduced, to make its own judgment about what current comparability should be.

We now have salary recommendations to take effect in January 1967. What this will mean, is that hundreds of thousands of Federal employees' rates of pay will be 2 years behind what they should be. It is for this reason that we heartily recommend that any pay action taken by the Congress be made effective March 1, 1966.

The Consumer's Price Index for December 1965 was fixed by the Bureau of Labor Statistics at 111. This indicates the highest point that had been achieved in the Consumer's Price Index continuously over a 3-month period, and was 2 percent more than in December 1964. Today, it costs Federal employees at least 2 percent more to feed, clothe and house their families than it did in December of 1964.

We, of course, Mr. Chairman, are quite conscious of the needs of our Nation as a whole, in meeting the military commitments in southeast Asia. As wage earners, we are conscious of the possible impact of inflation. Nevertheless, we have the problem of the inability of Federal employees to maintain a decent standard of living. This, I think, is what is involved in the case before you.

In May of 1965, the AFL–CIO updated the Bureau of Labor Statistics city workers family budget, which was established originally in 1959. For a family with husband, wife, two children, 13 and 8 years of age, this city family worker's budget reveals that approximately $6,418 would be required to maintain a decent standard of living with no allowances for savings or luxuries.

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If we examine the Classification Act schedule and the postal field service schedule, we find that, at levels 4 and GS–5, the employee would have to occupy step 9 to achieve in excess of $6,418. Or, put another way, the level 4 employee in the postal service would have to have 12 years in that service and the classified employee, GS–5, would have to have 18 years in that service before attaining this city worker's family budget figure.

Even if the administration proposals were to be adopted, that figure would be advanced by only one step. In other words, they would achieve the $6,418 level at step 8, rather than step 9.

I would like to mention a point or two relative to the annual salary surveys. The area of survey was expanded last year to include some nonmetropolitan communities, surrounding metropolitan areas. And at one time, last year, there was a proposal to expand the coverage of firms to less than 250 employees. At the present time, firms are not surveyed if they have more than 250 workers.

Mr. OLSEN. You mean less than?

Mr. MCCART. You are correct, I am sorry, less than 250 workers. We think this is entirely the wrong direction. If anything, the firms should be confined to those with larger employment and the area of survey should be conducted only in the largest cities, because this truly represents the Federal population. Seventy-five percent or more of the employees in Federal service are concentrated in urban areas. Their personal economies are geared to urban economies. So we think it is a mistake to expand the survey beyond the large metropolitan centers and to smaller companies.

In addition, there is one other matter that was brought to the attention of the committee last year. There was an administration recommendation to include State and local governments and nonprofit organizations in the survey universe. The Congress rejected that proposal.

We understand, however, that at the present time, there are pending before the House and Senate Appropriations Committees requests for funds to conduct salary surveys of State and local governments and to this we have no objection. We are deeply concerned, however, that this will be related in some fashion in the future to the survey of private industry salaries for Federal employees. And so, Mr. Chairman, we heartily endorse the comments you made last week about the desire of the subcommittee to examine very carefully the techniques and methodology used by the Bureau of Labor Statistics in conducting the annual salary surveys.

With respect to retirement, Mr. Chairman, as you are undoubtedly aware, our organizations have advocated full retirement after 30 years of service, regardless of age, for many years. In recent years, we have accepted the concept of retirement at age 55 after 30 years of service on full annuity. This is a step toward the goal of 30-year retirement, regardless of age. However, we are much concerned about the proposal to permit management to exercise the option to retire employees at GS–13 and equivalent after age 55 with 30 years of service, regardless of the desires of the employee.

We are concerned for two basic reasons: First, because this will permit executive branch officials to exercise a decision that does not fairly consider the needs of employees. And even if it is true that there are a few employees at GS–13 and above who may not be able to

produce as effectively as they did earlier, there are many other avenues available to Federal management to take care of this problem.

But even more important, this may very well be the first step toward reducing the level at which management will exercise the option to retire employees below GS–13, and next year we may be confronted with a proposal for GS–11 and equivalent, and the next year, a proposal for GS–9 and equivalent.

In addition, we find no recommendation for an appeal for any employee affected by this provision who feels that he has been treated unjustly.

As for health benefits, Mr. Chairman, we again applaud the administration for its recommendation to at least restore the level of contribution by the Federal Government to the 38 percent which prevailed for the high option when the program was originally enacted.

Since the enactment of the health benefits program we have advocated consistently that the Government and employees share the cost equally. We have had an opportunity to testify before subcommittees of this full committee on this point, so it is unnecessary to reiterate the arguments that we have offered.

Let me simply allude to a study made by the Bureau of Labor Statistics of 80 metropolitan areas on the subject of wages and related benefits for 1964–65, Bulletin No. 1430–83. This document discloses that for plant workers throughout the country, 58 percent of the companies surveyed provide hospitalization and surgical insurance coverage free to employees and for the white-collar group, that figure is 46 percent.

We feel, therefore, that our proposal for an equal sharing of the cost by Government and employees is modest.

On several occasions during these hearings allusion has been made to the work of the Retirement, Life Insurance, and Health Benefits Subcommittee and the bill introduced by its chairman, Congressman Daniels.

We appeared before that committee and heartily endorsed Congressman Daniels' H.R. 11879. I will not repeat the testimony that we offered there, because the record is available. Suffice it to say that the same study that I just referred to a moment ago, Bureau of Labor Statistics Bulletin 1430–83 reveals that in the area of life insurance, companies defrayed the entire cost for 61 percent of the plant workers, and for 53 percent of office employees. In that context the provisions of H.R. 11879 are modest, indeed.

The Government Employes' Council, Mr. Chairman, supports the proposals of our member organizations for overtime pay for postal substitute employees after 8 hours a day and for classified employees on the same basis.

We commend the chairman of the subcommittee for his assurance that steps will be taken to make truly effective last year's action increasing the uniform allowance. There should be no need for employee organizations to have to negotiate with their departments a decision that has already been made by Congress.

We likewise have appeared before your subcommittee, Congressman Udall, in favor of improving the travel allowance provisions for employees required to work beyond the normal tour of duty in a travel status. And we have recommended that these provisions be

applicable to wage board and postal employees as well as the classified employees covered by the legislation.

Finally, Mr. Chairman, the Government Employes' Council suggests that the Sunday differential enacted by Congress last year for postal employees, which we heartily endorsed, be now extended to the other employees of the Federal Government in the interest of uniformity of personnel treatment.

While the statement that we have offered for the record, Mr. Chairman, is somewhat lengthy, I think it was dictated by two basic considerations. First, because the proposals of the administration are comprehensive, and secondly, there is at stake the ability of employees to maintain their families in a normal American way of life, and the necessity for permitting them to share fully in the social and economic progress our country has attained.

I appreciate very much, Mr. Chairman, you and your colleagues taking the time, and arranging for me to appear out of order.

Mr. UDALL. As always you have been very helpful, Mr. McCart. I know of no witness who regularly appears before the ubcommittees who is better prepared or has more informative information to submit, and I thank you for another helpful appearance here.

Frequently in these hearings we have alluded to the lag, and you touched upon it again. Here is a base period of last March 1965, and the administration proposes the adjustments made necessary by facts existing on that date be put into effect in January 1967, which is 21 or 22 months later. This is something that has troubled me, but we are going to have to live with it, unless we correct it in one of two ways. One way would be through an automatic or semiautomatic system of the kind I proposed last year.

In fact, if the Senate had passed the House bill, the bill I offered last year, as of October 1, nearly 6 months ago, these adjustments would have put into effect: a 3 percent comparability cost of living adjustment, plus half the remaining lag in every level. The employees would have been receiving those adjustments for the past 6 months and they would have had probably twice what they will get from the administration's proposal, if it is enacted.

There wasn't too much enthusiasm for this semiautomatic or automatic method of operation, but I hope some day the Congress will come to it.

The second way we can do it is to simply shoot in the dark. This machinery of hearings, arguments, testimony, markup, fighting with the Rules Committee, debate, resolving differences between the two legislative bodies, just takes time.

The calendar happens to be such that you can't have the final product before October or November, and Congress is generally not in session and geared to act or begin to act, until March, which is 6 months lost right there.

The only other thing we can do, if we are going to follow the tradition of legislating each year on this subject, is simply for Congress to estimate the increase in productivity, the guidelines, the comparability figures, and legislate on what we guess the complete October-November survey will show.

This is objectionable on several grounds, but if we are ever to beat this lag, in the judgment of this member, we will have to proceed in one of those ways.

Mr. McCART. I think there is one other possibility to which you might want to give consideration, and I rather suspect this would have much to do with accelerating the receipt by Congress of the recommendations on the BLS surveys. That would be once to make the pay increases retroactive to the base date of the BLS survey.

Mr. UDALL. You have put your finger on a third way to handle the situation, recognizing, of course, that each of these methods has defects. The obvious difficulty there is that there are a number of administrative problems connected with retroactive pay and there has always been considerable resistance to provisions of this kind.

The gentleman from Montana?

Mr. OLSEN. Thank you, Mr. Chairman.

I suppose you are tired of alternatives, Mr. Chairman, but I would voice another one. And that would be that we get the Senate, the Senate committee to join with us and have some kind of joint action, because without placing any blame on anybody in the other body there seems to be a lack of cooperation simply because of the time element.

The other body gets after these pay bills very late in the session and in a hurry; they have other matters and there is only so much the human mind can handle, so the pay legislation has taken a back seat over there.

I happen to subscribe to the views of our chairman that we have some kind of automatic increases. Our only differences have been just how automatic. We would depend upon the executive department, and this particular package they have sent us this session just increases my anxiety and my resistance concerning executive authority.

Mr. McCART. I think your suggestion, Congressman Olsen, about some kind of joint action has considerable merit. Within the past week or so subcommittees of the House and Senate Labor Committees have been meeting jointly conducting hearings on the U.S. Employment Service.

This is not a formal joint committee, but they have agreed to hold these hearings together to expedite congressional consideration of the subject.

Mr. OLSEN. I think joint hearings on the question of the facts would put us all ahead. I don't know we should meet jointly on what we are going to do. But I wouldn't think that your testimony before the Senate committee would be much different than it is before this committee, and that we could at this stage be having joint hearings with the Senate committee, and gathering the information from all of you people, and the public in general.

And then we could resort to our own separate action, if that is what we choose to do.

Mr. UDALL. Would the gentleman yield?

Mr. OLSEN. I yield.

Mr. UDALL. This is a very constructive suggestion, one I have advocated to some of the members of the Joint Committee on the Organization of Congress. It is a foolish waste of time and money of the taxpayers to pay twice for two hearings, when you are plowing the same field.

In other areas they do it four times. If you are head of a department, you testify before two legislative committees, one in the House

and one in the Senate, and then you plow the same field again before two appropriations committees.

This is an area here where time of the Members could be saved, the money of the taxpayers could be saved, and a better job would be done all of the way around.

Mr. OLSEN. Yes.

Mr. DANIELS. It also aids to a better understanding by all of the members of the committees of the testimony given by all of the witnesses. Sometimes the witness may appear before this committee and due to circumstances beyond his control may not be able to express his views before the other body.

However, they do have the record, but oftentimes because of the manifold duties that we find ourselves involved in, we do not find the time to carefully study the recommendations made by the witnesses, either before this committee or the other committee.

Mr. OLSEN. Thank you, Mr. Daniels.

One other thing, Mr. McCart, I want to join you in your statement concerning a resistance to incorporating into our Bureau of Labor Statistics surveys the State and local government surveys of wages, into the formula that we are discussing from time to time about comparability. The Bureau of Labor Statistics, at least under Mr. Ewan Clague, former Commissioner of Labor Statistics, didn't want to determine comparability. He wanted to report the facts.

I certainly don't mind having the facts on what State and local salaries are, in State and local government. I don't mind. I think we ought to have the facts. But I don't want them averaged into what the salaries are in private industry, because I think State and local governments lag so terribly far behind that we would actually be destroying what is a reasonably good level of standards in the Federal Government.

Mr. MCCART. Mr. Olsen, the net effect as I see it of these three changes: Reducing the number of employees in the firms to be surveyed; expanding the survey outside of the metropolitan areas; and relating the salaries in the non-Federal governmental sector and nonprofit organizations will just result in making a smaller yardstick of comparison and we do not feel that was the intention of Congress.

I might add, just in passing, to the best of my knowledge, our organizations were not consulted about these proposed changes.

Mr. OLSEN. In the Post Office Department we have a universal kind of wage in our several classifications, because we recognize that there is a universal responsibility among employees of the Post Office Department, and were we to pay them a short standard out in the rural areas, the small towns and rural areas, we would find we have a shorter kind of responsibility there.

I believe in a high standard. And I think that some of these hearings should point toward a higher standard for Federal pay, so that Federal establishment would command a high standard of leadership in this country.

Now I think this is a real responsibility on our part and I know the chairman shares this.

Mr. UDALL. Yes.

Mr. OLSEN. We have to point to higher standards in the Federal service, so we guarantee a really high standard of leadership.

Now the other thing is, I would like your comment on this business of having such a class as temporary employees, or substitute em-

ployees. Don't you think we ought to erase that kind of standard and have a probationary period for employees, and once that is served, then they are permanent employees?

Mr. McCART. Mr. Olsen, I fully subscribe to reducing to the irreducible minimum the retention of temporary employees on the Federal payroll, because of my view this is contrary to the merit concept.

The idea of the merit system is to develop a stable work force, a career work force. There have been instances where both in the postal and nonpostal agencies, where employees have served for 10, 12, or 15 years as temporary employees. I don't think this is justifiable on any score.

I think the movement should be to reduce this number so you finally arrive at a group of permanent career employees, and the temporary employees are just a tiny fragment of the work force.

Mr. OLSEN. There would be a short probationary period, a number of hours, in a given year, and then he is a permanent status employee.

Mr. McCART. Yes.

Mr. OLSEN. Thank you, Mr. Chairman.

Mr. UDALL. Mr. Daniels.

Mr. DANIELS. I want to commend the gentleman for his testimony here today. I wholeheartedly agree with the views you have expressed and also the views expressed by the chairman of the committee conducting these hearings, and Mr. Olsen.

All of us present here this afternoon introduced bills to increase the salary of Federal employees, I believe at least an increase of 7 percent. I do wish to comment that in 1962, when the hearings were held on pay legislation, that both Commissioner Macy and Mr. Staats of the Bureau of the Budget appeared before the committee and strongly recommended the principle of comparability.

This was a proposal of the Kennedy administration. It was strongly recommended to the Congress. No conditions were imposed on that principle of comparability. But it seems that since that time the administration has come forward through its representative, Mr. Macy, and has recommended two different changes.

Last year he made one recommendation and more recently he comes in with the guideline principle. So I feel this committee should in the near future turn around and conduct hearings and try to establish a definite formula upon which we should base these increases in pay, particularly when we are in an inflationery era, the cost of living is going up, we need something to assist the Federal employees so they will fit into the pattern and be able to get the benefits that are being obtained by people in the private sector of our economy.

So much for the salary increase.

But inasmuch as I'm the Chairman of the Subcommittee on Insurance, Retirement, and Health Benefits, I listened with great care to recommendations you made with respect to voluntary retirement at 30 years of service, upon attaining the age of 55. You disagreed with the recommendation made by Mr. Macy of involuntary separation by the agencies in levels 13 and higher.

Your third proposal stated that no appeal at procedure was provided.

Would you care to elaborate on that statement and tell this committee specifically what you have in mind, what you think should be done in order to protect the rights of these employees in GS–13 and above?

Mr. McCART. Yes, sir.

Mr. DANIELS. Would you care to recommend a procedure?

Mr. McCART. Congressman Daniels, I think that it would be well for me to reemphasize that we don't feel that the options should be exercised by the agencies at all, that it should remain at the discretion of the employee.

Mr. OLSEN. Could I interrupt there? Would the gentleman yield a moment?

Mr. DANIELS. I yield.

Mr. OLSEN. I would like to say in previous hearings Mr. Udall and I at least expressed ourselves that in the executive branch there ought to be room for a department head to retain many of the most cooperative people he could in his program.

In this field now, when they are 55 years of age and have 30 years of employment, I want you to know there is at least that sentiment, of Mr. Udall and myself, in favor of the administration proposal.

I am very grateful to Mr. Daniels for bringing up the subject with you, what kind of review you would have of that situation, because maybe Udall and I will prevail. We don't know of course. But we would like to know what kind of review you would like in case we prevailed.

Mr. DANIELS. Before Mr. McCart replies, I might say this, that an employee who finds himself in this position of voluntarily retiring perhaps feels that he is capable of fully and effectively discharging his duties and would like to continue on for a few more years, there might be some personal obligations—he may want to discharge the mortgage on his home, maybe he has a child in college and he would like to continue in the Federal service for a few more years, until those obligations are discharged, but on the other hand, his immediate supervisor may not like the fact that he has colored his hair or——

Mr. OLSEN. Well, he may not be as aggressive as the new supervisor would like him to be in the program.

Mr. DANIELS. I have given this particular question a great deal of study since it was brought up by Mr. Macy when he originally appeared before this committee and opened up the hearings on this subject matter.

I was rather impressed by him and also by Mr. Murphy, who immediately followed him. But since, having studied the question, I think that we should afford a person who has given 30 years of his life to dedicated service to the Government, who has endeavored to improve the service of the Government so that the Government has had all of these advantages, he should not be discharged so lightly, even though he is slowing down a little bit.

So I'm interested in the proposal of the appellant review which you mentioned.

Mr. McCART. To follow my initial comment about our being opposed to the grant of this authority at all, if the Congress decides that such authority is desirable, we feel it should be confined to the supergrades, grades 16, 17, and 18. In any case, we think that employees should be entitled to an appeal at least to the extent that

other employees in the Federal service are now entitled to appeal disability retirement actions.

An individual who is affected by a disability retirement requested by an agency can appeal to the Civil Service Commission. So there should be at least that kind of appeal granted to any employees who would be covered by such a provision, if the Congress thinks it wise to enact it in the first place.

Mr. DANIELS. Mr. McCart, I would appreciate it then if you would do a little more homework and submit to me an amendment along that line.

Mr. MCCART. I would be happy to.

Mr. OLSEN. I would like to hear from you, too, because I really think we all want to be fair about this sort of thing and we want to implement the desires of the executive department to have the most eager people in leadership. But, by the same token, we want to be, as Mr. Daniels says, we want to be very fair with this 30-year employee. He is entitled to real careful consideration.

Thank you very much.

Mr. MCCART. If I may make a final comment, Mr. Olsen, if an individual has devoted 30 years of his life to the Federal service, and attains age 55, and he is not producing as effectively or is not as cooperative as he was 20 or 25 years ago, there are ample means of taking care of this individual on a disciplinary basis.

But secondly, there should be some way of reassigning that person so that he is not in the same environment that he was before. It just seems a shame to me that an individual would be constantly faced with the specter of compulsory retirement after he has given 30 years of his working life to the Federal Government.

Mr. DANIELS. I think my time is almost up, Mr. Chairman. I would beg your indulgence for one further question.

I note, Mr. McCart, that you passed upon the question also of the Government's contribution toward the health benefits insurance. The administration recommends an increase to 38 percent which was the average when this law was originally enacted, in a two-step process.

I do know that you appeared before my subcommittee and testified on 50 percent. But inasmuch as the administration sends this package down here, of wage increases and fringe benefits, would you go along on the recommendation of the administration of an additional 10-percent increase, bringing their contribution up to 38 percent instead of 50 percent at the present time?

Mr. MCCART. I think, Mr. Daniels, that wisdom requires I say if it is not possible to attain the equal sharing of cost immediately, we would certainly be grateful for any action that Congress takes in this direction. It will be a step forward.

Mr. DANIELS. Thank you.

Mr. UDALL. The gentleman from Louisiana is recognized for 10 minutes and he yields to the gentleman from Montana.

Mr. OLSEN. I simply want to say that was a very admirable response by you, that we want to make progress in this direction. And the sooner we tend to catch up with private employers on sharing this cost, the better we will be able to compete to get the best kind of—which we have always been doing, by the way—we want to continue

getting the best kind of employees, so we have to proceed in this direction.

Thank you very much, Mr. McCart.

Mr. MORRISON. Mr. McCart, first of all I want to take this opportunity to commend you today, as I often have in the past, for your excellent presentation. You have always been most adept at giving this committee valuable testimony throughout the years I have been privileged to sit on the committee.

I believe that you favor the President's proposal for salary and fringe benefit legislation, but feel that it does not go far enough. Is that correct?

Mr. MCCART. That is correct.

Mr. MORRISON. I heard Mr. Wolkomir testify earlier today. He made several statements to the effect that this administration did not go far enough and that this administration does not recommend a high enough pay raise. I do not say this to imply that a pay increase is necessarily one way under one administration and a different way under another. However, such an inference arose from Mr. Wolkomir's statements. I do think that on many occasions both Democrats and Republicans have voted for pay increases and both Democrats and Republicans have voted against them. But since the statement was made by a previous witness that this administration was not taking into consideration many things, I think the reasonable inference is that perhaps another administration, a previous administration, was thought to have taken into consideration more things.

I would like to point out that during the 8 years of the Eisenhower administration there were three vetoes of Federal employees' salary bills. Two of the vetoed bills never passed, while the third was enacted by the Congress over President Eisenhower's veto. The aggregate of pay raises granted during those 8 years was 26.1 percent, or an average of approximately 3.2 percent a year.

Now, the salary increases for Federal employees during the administrations of Presidents Kennedy and Johnson, including the 3.2 percent package recommended by President Johnson which is now before us, in the aggregate amount to 24.1 percent, which would be slightly less than an average of 5 percent per year for 5 years. So we have a yearly average of 3.2 percent in pay raises for the 8 years of the previous administration under President Eisenhower, compared to a yearly average of approximately 5 percent in such pay raises for the 5½ years ending June 30, 1966, under the administrations of President Kennedy and President Johnson. I think it is reasonably certain that the current pay and fringe benefits measure will be enacted into law before June 30.

It should be pointed out, also, that since President Johnson has made this comprehensive recommendation, leaders of great Federal employee organizations who have testified in these hearings have stated that they are in accord with the President's position, even though they honestly and sincerely believe the benefits should be greater, because of the emergencies confronting the Nation—and particularly the war in Vietnam—both abroad and on the homefront.

The previous witness to whom I referred earlier said or clearly implied that this administration does not take into account cost of

living increases and certain other factors. The natural inference to be taken from such a statement is that the Federal employee and his interests are being overlooked or ignored by this administration, as compared with consideration given those interests by other administrations. Let us look back over the record of recent years and note just how the Federal employee was or was not overlooked.

I happened to be the author of a rather substantial Federal employee pay raise bill in 1963. Due to the tragic assassination of former President Kennedy and other circumstances beyond the control of this committee and the Congress, action on the bill was delayed in the latter part of 1963 and, when it was brought out of committee, it was not enacted into law.

During the 23 years I have been a Member of the Congress I cannot recall a bill failing of passage and then being brought back and enacted on the same day in the same term of the Congress. Frankly, I thought, when my bill was defeated, it might go the way of all other bills that had been defeated in the past and be dead for the then current session, at least. I said then, in these words—and I think they are appropriate today—that it was not a question of keeping lifeblood in a dying bill, it was a question of a bill that had been defeated and killed and buried so deep that, in my humble opinion, there was but one man in the world who could resurrect it. That man did resurrect my bill; he was and is President Lyndon B. Johnson, through whose personal interest and intervention my bill did become law.

The President of the United States certainly did not have to do what he did at that time. In my judgment, he took a calculated risk for all Federal employees—a risk that maybe other Presidents would not have taken. He could just as well have taken the position that the Congress had acted, and that all parties concerned would have to wait until the next session of Congress and come up with another recommendation. But he did act, and I think he was motiviated primarily, in taking the calculated risk to his prestige had he not been successful, by his conviction as to the needs and responsibilities of Federal employees and the personal feeling of real warmth he holds for them. Knowing that they lagged behind proper levels in their pay scales, he was willing to take the risk and did take the risk. It is a great tribute to President Johnson that he was successful and the bill became law. He could very well have left the bill alone completely. There is no precedent or policy established by any previous administration with respect to any obligation on the part of a President to support a Federal employees' pay recommendation every year.

I recall that, under an earlier administration, there was no pay raise, and no Presidential recommendation for one, in 1953 or 1954. In 1955 the administration submitted a proposal to radically revamp the postal pay system and a companion proposal to adjust classified salaries. According to the best of my recollection, the average increase for most of the employees would have been between 4 and 4.5 percent.

When our committee bill came before the Congress in 1955, it was enacted to provide an 8.9-percent increase but was vetoed. Thereafter, a bill providing only 8.1 percent was enacted into law.

In 1957 my bill, H.R. 2474, to provide substantial and justified salary adjustments to keep pace with the economy was enacted by the Congress but was pocket vetoed by the President in September.

In 1960, our committee developed, and the Congress enacted, another pay bill and President Eisenhower vetoed it, but this time the Congress had time to act again and overrode the veto.

I think that by comparison of the administration in office from 1953 through 1960 and the administrations in office beginning in 1961 actions speak far louder than some words of some witnesses. This does not apply to you, of course, Mr. McCart. It applies to the former witness who implied, in his statement, that "this administration does not want to face up to it," and that "this administration does not want to do this," and that "this administration does not want to do the things that are required and necessary." During the whole time of the Eisenhower administration I do not think we had anything quite so serious as our Vietnam situation is today.

Incidentally, the Vietnam situation really began with a commitment by that previous administration and the commitment has been carried on by President Kennedy and President Lyndon B. Johnson as a commitment made by a previous administration.

Therefore, I think it certainly behooves us to take all of these matters of record into account in our deliberations on President Johnson's message now before us. When we realize that the average yearly Federal salary increases under an administration in office 8 years amounted to only 3.2 percent, compared to an average which will, with the pending legislation enacted, amount to almost 2 percent more per year, I think it is a fair conclusion that "this administration," and the immediately preceding one have taken all material factors into consideration. Certainly, no President could ignore, in his approach to Federal salary legislation, the urgent demands of the war in Vietnam, the needs of our fighting men there, and the threat of inflation which, if unchecked, could imperil the successful conclusion of that conflict. It is relatively easy and simple to sit here, either in committee or as a witness or in writing a press column, and utter harsh words. In the final analysis, actions speak much louder than words. The actions over the years which I have summarized can well speak for themselves.

With respect to some of the pay raises that were achieved in the past, if people were sincere in what they told me—and I take nothing away from supporters of pay raises over the years on this committee and in the Congress—if it had not been for perhaps the extra effort I put forth there might not have been pay raises in those years. In almost every case it was touch and go between success and failure right up to the last moment.

This does not apply only to my efforts. It applies to a great many members on the committee and in the Congress, because I have seen a pay raise reported by our committee on a margin of a single vote. Had there been a tie vote or just one vote the other way there would not have been a pay raise bill.

I remember one situation in which I was roundly criticized by a Postmaster General. I asked for a pay raise bill of 26 percent, and was very sincere and in deadly earnest in introducing that bill. I did this because I realized that the Postmaster General and others were bitterly opposed to any kind of a pay raise, and I knew I would have to provide room for reasonable compromise. In other words, that was my asking price, but I recognized the probable need to settle for something else in honest compromise. I was branded as an inhuman person guilty of a cruel hoax, from coast to coast.

When that same Postmaster General, who had accused me of a hoax, testified before the committee I asked him if he was in favor of a pay raise. He replied that he was but not a hoax like my bill at 26 percent. So I said, well let's start out at 10 percent which is a whole lot less than the 26 percent in my bill. I said are you for a 10-percent bill. He said "No." I said are you for a 9-percent pay raise. He said "No." I said are you for an 8-percent raise, and he said "No." I said are you for a 7-percent raise, and he said "No." I said are you for a 6-percent raise, and he said "No." I said are you for a 5-percent raise, and he said "No." I said are you for a 4-percent raise, and he said "No." I said are you for a 3-percent raise, and he said "No." I said are you for a 2-percent raise—now wait a minute or two if you want to think about it—and he said "No." Then I said surely you told this committee you are for a pay raise. Are you for a 1-percent raise, and he said "No."

So I said, then, you are not for a pay raise after all, are you? So maybe my "cruel hoax" does not look too bad after all. Then another committee member observed that the Postmaster General, before he came to Washington, was in the new car business and the used car business, and asked the Postmaster General if, when he put those used cars out on the parking lot with high prices on them, the prices were his asking price or his taking price. The Postmaster General said there was a difference. And it proved out that way.

And so, before we go to criticizing those who are trying to help us, I think it behooves all of us to apply a formula of reasonableness in recognition of what we face here. All of us would like to see a much more liberal bill, a bill that would give Federal employees greater pay raises and fringe benefits. I certainly think you have demonstrated a wonderful example of your wisdom and reasonableness in saying that, even though the benefits should be higher, under the circumstances you understand that prudence is the better part of valor. We all hope that needed improvements can be made in the near future, but respect the overruling need to wait for another day and more favorable circumstances. I assure you—and I think I speak for many of my colleagues—that on that new day we can all pitch in to develop and enact pay raises and fringe benefits for Federal employees that are truly comparable to those enjoyed in the private sector.

I remember that the Cordiner report indicated that Federal employees were as much as 20 percent or more behind comparable levels in private enterprise. The measure before us will not bring current comparability. The principle of comparability can be argued pro and con for almost limitless time. But under the circumstances, with the war in Vietnam, the need for the homefront to rally behind our fighting men, and the very real danger if inflation comes, I feel that this measure is as much as we can expect to have enacted and certainly is better than none at all. In my judgment, we should all feel grateful and fortunate that the President of the United States has recommended a comprehensive improvement in pay and fringe benefits for Federal employees.

Mr. UDALL. The gentleman from New Jersey.

Mr. KREBS. I have no questions, Mr. Chairman.

Mr. UDALL. Thank you, Mr. McCart, for your helpful testimony.

Our last witness is Mr. Henry J. Stoffer, president, National League of Postmasters.

STATEMENT OF HENRY J. STOFFER, PRESIDENT, NATIONAL LEAGUE OF POSTMASTERS OF THE UNITED STATES, ACCOMPANIED BY EXECUTIVE VICE PRESIDENT HENRY H. WOMACK, POSTMASTER AT CATRON, MO.; VICE PRESIDENT HENRY M. HEYL, POSTMASTER AT WOOSTER, OHIO; AND SECRETARY-TREASURER JULIA McCLUSKEY, POSTMASTER AT NEW BEDFORD, PA.

Mr. UDALL. Mr. Stoffer, will you identify the people who are accompanying you, as soon as you are seated?

Mr. STOFFER. Thank you, Mr. Chairman.

I am president of the National League of Postmasters, and postmaster at Sheffield, Iowa. I am accompanied by Henry Womack, executive vice president, postmaster at Catron, Mo.; Vice President Henry M. Heyl, postmaster at Wooster, Ohio, and our national secretary-treasurer, Mrs. Julia McCluskey, postmaster at New Bedford, Pa.

Mr. UDALL. We are happy to have you all with us.

Mr. STOFFER. Thank you, Mr. Chairman.

We are honored and proud that several State officers of the National League of Postmasters have accompanied us to this important hearing. In their behalf, and in behalf of our entire membership, we want to express our sincere gratitude for this opportunity to present our views.

Any attempt to represent postmasters on the important matter of compensation is difficult and complicated, and we beg the indulgence of this committee as we review the needs of our dedicated members whose salaries range from the lowest to the highest pay in the postal field service.

Postmaster positions, as compared with other Federal positions, are quite unique. The duties also vary, depending on the size of the 34,000 cities and towns in which we serve. Postmasters have no special hours of duty. As managers we are on call at all times, and willingly respond during any peak load, Christmas rush, or other emergency without a thought of overtime or compensatory time. The salaries of postmasters currently range from $1,359 to $24,935. Because of the wide spread in salaries and duties, we would like to classify postmaster positions into four general groups.

The first general group includes about 600 postmasters who are in level 12 and above. They manage offices in our larger cities, most of them being sectional centers, and having at least 100 employees. Postmasters at these offices must be experts in postal operations, public relations, and employee management. Most of them share community responsibilities along with top executives of major corporations, and business leaders. Rarely can their salaries be compared with positions of comparable responsibilities either in dollar volume or in number of employees. As the salary of the President of the United States generally is not comparable with the president of General Motors or executives of similar corporations, our members in this category, likewise rarely achieve true pay comparability. They must, we believe, earn a wage that will permit them to participate in their communities as the senior representative of Government in these cities, with the dignity this high position deserves.

Since we know it is nearly impossible to compare these positions to outside management, we feel we might at least compare the salaries with subordinate postal employees. As an example, a newly appointed postmaster in level 14 would have a starting salary of $12,077 per year. If his assistant at level 13 has reached step 10, he would be receiving $14,358 or $2,281 more than his boss. We have no quarrel with the salaries of these employees, but feel this comparison might vividly illustrate that the concept of comparability is not followed in the postal service. We doubt that any executive outside of the postal service would be named manager or president of a firm and receive less salary than his subordinates. This difference is greater as we compare higher levels, and becomes less when we compare lower levels. However, the difference is always there.

The next general group are postmasters from levels 9 through 11. They are postmasters in our smaller cities, usually county seats, and occasionally sectional center post offices with more than 10 employees but fewer than 100. These offices quite often have city delivery, rural delivery, and independent branches. Some of these offices have an assistant postmaster, and some of the larger offices in this group may have three or more supervisors. None, however, have a secretary to perform some of the routine clerical duties, answer the phone, or do their typing. This, in itself, we believe is not comparable to outside employment. Postmasters in these offices generally maintain the records, conduct employee meetings, handle all public relations work, and are often seen on the workroom floor assisting during the peak periods.

Our next group are postmasters serving rural America from levels 8 down to level 5. Many of these postmasters have little or no clerical assistance, usually one or more rural routes, no janitorial assistance and no city delivery. This is the postmaster who like all others must know all postal regulations and serve as window clerk, janitor, special delivery messenger, mail handler, and manager of his office. He must offer the identical services offered in the larger offices, but must do it alone. He must sell the stamps, rate the mail, issue money orders, register or certify letters, insure parcels, accept foreign parcels, cancel and sort outgoing mail, distribute incoming mail, accept c.o.d.'s, maintain all records, and answer all correspondence. In his spare time he will perform services for nearly every other Federal agency, which might include the sale of saving stamps, migratory bird stamps, revenue stamps, and handle such other matters as alien reports, civil defense materials, statistical data for the Department of Agriculture, recruiting material for the Armed Forces, post FBI posters, provide burial flags for deceased veterans, distribute social security forms, distribute medicare forms, and perform any other duties of a related nature He is always there, and his office is always open during the working hours, so he may be called upon for any emergency in the community. This is the postmaster, we find, who is usually applying for a rural route, so he can be relieved of many responsibilities, receive more pay, and work fewer hours.

Our other group consists of the 8,800 dedicated postmasters who serve our vital crossroad communities in the more remote sections of our rural areas. As in the preceding groups these postmasters must have complete knowledge on all postal matters, and provide virtually every service available to any postal patron at any post office. Many

of these postmasters have an annual beginning salary of $1,359 per year and are required to offer these services 6 days every week. The importance of these small post offices was recently recognized and emphasized when President Johnson selected the post office at Hye, Tex., for the swearing-in ceremony for Postmaster General Lawrence F. O'Brien. It is noted with gratitude that these fourth-class offices are included in the various pay proposals now introduced. Since Congress did not see fit to include these officers in H.R. 1771, the 5-day workweek bill for postmasters additional compensation becomes increasingly important and meaningful.

Postmasters in every community are expected and required to contribute and participate in community affairs. In many instances, in their position as the ranking Federal employee in their community, this participation can be costly and time consuming. We have no quarrel with this and concur that this is a function of our responsible positions. However, we believe this in itself should and could justify the need for salary superiority and true comparability.

Postmasters are seldom ordered to attend meetings conducted by the Post Office Department. However, we are often "invited" to attend. The invitation usually concludes with the same old phrase: "Without expense to the Department." I know of no other managers, in or out of Government who are expected to attend such meetings without some allowance for expenses and mileage.

The Federal Reform Act of 1962 stated:

(*a*) There shall be equal pay for substantially equal work and pay distinctions shall be maintained in keeping with work performance distinctions; and

(*b*) Federal salary rates shall be comparable with private enterprise salary rates for the same levels of work.

Permit us to make a few common comparisons as they apply to postmasters:

(*a*) As stated earlier a postmaster could be appointed, only to find his immediate subordinate earning as much as $2,281 more per year.

(*b*) A postmaster in level 8 could be appointed and learn that his clerk in level 4 was receiving $174 more per year.

(*c*) In a small third-class post office a postmaster at level 5, and a rural carrier with a 60-mile route—the national average—could start to work on the same day. The rural carrier would not only receive $95 more per year, but would receive equipment allowance $7.20 per day, have far less responsibility, and be off the job for the day by 11:30 a.m. on a normal day.

(*d*) A postmaster in the top pay category at a fourth-class office, with a rural carrier serving a 60-mile route, again the national average, would receive $1,725 less per year, not to mention the additional hours or responsibility.

I might add this postmaster in the fourth-class office would again have to be working 6 full days a week.

Current pay schedules fail in every instance to match true comparability. Figures—as supplied by the Bureau of Labor Statistics—show the salaries of postmasters and supervisors in the middle and upper levels are further removed from this goal than other employees. The intent of the 1962 pay legislation to establish the theory of comparability was thwarted in 1964 when this group was not accorded the same percentage pay increase as employees in lower levels. Any across-the-board percentage increase this year will still not correct

this pay increase inequity applying to thousands in this group. In this instance we support the pay proposal submitted by President Johnson.

In summary, we believe that no postmaster or supervisor should receive less salary than those they supervise.

To help remove some of the present injustices, we submit for your consideration and approval, the following amendment to H.R. 12240 and companion bills or legislation: Amend section 3106 of title 39, United States Code by adding paragraph (b) to read as follows:

(b) The Postmaster General is authorized to increase the salary of postmasters by steps in each instance where he finds the postmasters' current salary level and step are such that he receives less annual salary than any subordinate in that post office. Thereafter the postmaster under this provision shall move into additional steps within their level only as necessary to maintain salary superiority to a subordinate or in accordance with earned longevity increases. For purposes of this section, all employees in a post office are subordinate to the postmaster.

We are grateful to President Johnson for his interest and concern for adequate pay for all Federal employees. We likewise appreciate the pay legislation introduced and supported by Congressman Arnold Olsen, Dominick Daniels, Glenn Cunningham, Paul Krebs, James Hanley, and others.

Thank you for your time and consideration. The opportunity to present our proposals and amendments is greatly appreciated. Our members anxiously await your favorable consideration.

Mr. UDALL. Thank you, Mr. Stoffer, for your helpful statement. I do appreciate Mr. Womack, and Mr. Heyl, and Mrs. McCluskey going to the difficulty and expense to be with us here today.

The discrepancy between the pay of the postmaster and its subordinate is one which has always concerned me and I think your amendment is an interesting and constructive approach to this problem.

Have you discussed this recently or at any time with the Post Office Department? If so, what is their attitude about this?

Mr. STOFFER. I have discussed it many times over the years and I must say their attitude is somewhat negative.

Mr. UDALL. What arguments do they give for opposing this arrangement?

Mr. STOFFER. The cost.

Mr. UDALL. Do they concede generally there is an injustice done, when a postmaster in charge of other employees makes less money than one or more of them?

Mr. STOFFER. Yes, they do concede on that point.

Mr. UDALL. Do you have an estimate of the cost of your amendment?

Mr. STOFFER. No, sir; I have no idea what it might cost.

Mr. UDALL. How many postmasters would be affected, would you guess? A hundred or 10,000, or somewhere in between?

Mr. STOFFER. I would have to guess, 1 man out of 20 or 25.

Mr. OLSEN. Mr. Chairman, maybe we could get this for the record.

Mr. UDALL. Would you be able to get this, or should we get it from the Department?

Mr. STOFFER. I think Dr. Block in the Department, on Mr. Murphy's staff, is already trying to get this data together.

Mr. UDALL. I think Mr. Olsen has an excellent suggestion, and we will try to get that.

60-359—66——16

Mr. STOFFER. This is actually taken from the bill which Congressman Morrison introduced, but because this bill came up first, we wished to include it.

Mr. UDALL. The gentleman from Louisiana?

Mr. OLSEN. Would the gentleman yield? I just got a call and I have to go back to my office, and I would appreciate it.

Mr. MORRISON. Certainly.

Mr. OLSEN. I think I understand you very well, that you are not complaining that anybody else is being paid too well.

Mr. STOFFER. We don't want to cut anyone back.

Mr. OLSEN. Your objection is that the supervisory employees are not being paid as well as they ought to be.

Mr. STOFFER. That is indeed true.

Mr. OLSEN. I agree with you. However, I would ask you, on page 4, you wouldn't include the equipment allowance of the rural carriers in calculating their salary?

Mr. STOFFER. We like to refer to that when we can, and there was some proposed legislation last year and I think the rural carriers are aware that the National League of Postmasters were with them on maintaining this allowance.

Mr. OLSEN. You think they are entitled to that equipment allowance?

Mr. STOFFER. Certainly.

Mr. OLSEN. I agree with you, the posmasters should be paid better. I think all supervisory employees should be paid better than those people that they supervise. I sure appreciate your bringing that to our attention. Thank you very much. And thank you, Mr. Morrison, for yielding.

I have some most important people in my office, they are my constituents.

Mr. MORRISON. From your district.

Mr. OLSEN. Yes; from Montana. So, if you will excuse me, I have to leave.

Mr. MORRISON. I would likewise like to join with my colleagues in commending the gentleman on his testimony not only on this bill but on all bills on which he has testified over the years as president of this very important and very fine organization. He has always been well prepared, he has always offered full cooperation to help the committee with many valuable facts.

I think, as far as your people are concerned, you are doing an outstanding job. You are providing them with excellent representation as president of your organization, and I certainly appreciate the way in which you have always offered your cooperation, both to individual members and to the committee.

Now you have brought up a very fine argument for the postmaster at smaller post offices. How many third- and fourth-class postmasters are in your organization? Or what, percentagewise, would it be?

Mr. STOFFER. I would have to say our membership is composed of probably 75 percent of the third and fourth. It is probably because all post offices are represented by third and fourth class. I think our membership is probably equalized between the four classes.

Mr. MORRISON. And you are just as vitally interested in a fourth-class post office as you are in a third- or second- or first-class office?

Mr. STOFFER. Yes, sir; they all pay dues and we try to represent everyone.

Mr. MORRISON. I think you do a real fine job. I think it behooves somebody to speak up for the fourth-class postmasters. I can remember a few years back when for some reason they didn't want many fourth-class post offices in my district, and we really went to bat on that very basis. I took the position in their support. Some people in the Department and other places said I was going pretty far afield trying to save some uneconomical post offices, and I said: Well, all post offices can't be first class nor second class nor third class. We have to have some fourth-class post offices.

When you take all of our communities in different parts of this country—and a lot of them are small, a lot of them are distant from a railroad, and a lot of them are out in rural sections—I think those people that live there have just as much right to live there and expect mail service as they would if they lived in the largest cities of the country.

I have always looked upon a fourth-class post office in those communities as kind of a nucleus or the center of the community, that kept the community's identity as a community. Where you have a post office, and the name of the community is usually the name of the post office, even though sometimes there may not be more than two or three stores, a filling station, and a few homes, you do have a community. You have in the small post office a place where people can meet even though they live for away fram a city.

But at the same time by having that post office, a community has a certain amount of community spirit, which I think is invaluable. Ths post office provides that need, which perhaps would be lacking without the post office.

I have seen some localities in my district, and I'm sure it goes for all of the United States, where if you abolish a fourth-class post office, in effect, you abolish the community. Somebody 2 or 3 miles down the road builds a store and says, "This is a community here," and then business may not be too good or he may get a better offer and close up. There is nothing left of the community, because the post office is abolished. It becomes just another crossroads or just another bend in the road.

I think in those instances the greatest value of what is known as the real deep roots of rural, individualist community centers are lost. I think it behooves the Department, and certainly I think it deserves the consideration of this committee, that we should do everything possible to look upon these fourth-class post offices with the idea that they need not necessarily break even or show a profit. Cost to the Department is not the controlling major factor. I think the service to that particular area means a lot more than the cost alone.

We have over the years certainly given people in rural America the same opportunity as those in urban America to share in mail service. I think at certain times the feeling has been, well, let's rather than concentrate on the rural sections, let's let them slide, abolish them, if they are not economically sound. In many instances I think we may do people an injustice instead of helping the Department.

Sometimes it is a borderline case, but for my part, I would try to keep every fourth-class post office I can in my district. When some have been abolished in the past, I have tried to reestablish them.

I believe that by your concentrating, in your testimony, on the need and importance of seeing that these people are paid sufficiently so they can have an incentive to take care of these fourth-class post offices and keep them open, really means a great deal.

When you look at it from maybe one particular viewpoint, it may not, from a relative standpoint, seem so awfully important. But when you look at it from the national standpoint, having the experience that you have had in your organization, with 75 percent of the members in the fourth-, third-, and second-class post offices, you are certainly in a position to know the real importance to this Nation of seeing that these post offices are not discouraged, but are encouraged and stay in operation.

I want to commend the gentleman and your associates with you here today for appearing in behalf of what I certainly believe is a most worthy cause and a most worthy undertaking. I think if some of us didn't take up for the fourth-class postmaster or even third-class postmasters, there will be a lot fewer than there are today. Rather than see fewer, I want to see as many of them as possible, and it may be necessary to have a few more.

Mr. STOFFER. Thank you.

Mr. UDALL. Mr. Daniels?

Mr. DANIELS. Thank you, Mr. Chairman.

I want to commend Mr. Stoffer for his very informative testimony. I am sure you have brought to our attention today, to the attention of this committee and also to the attention of Congress, the inequities existing in the salaries of some of our postmasters, and their employees.

Many of us are unaware of such inequities, and I want to thank you for alerting us to this situation, and I do hope that we will be able to correct this inequity in the very near future.

Mr. STOFFER. Thank you very much, Mr. Daniels. I appreciate that.

Mr. DANIELS. No further questions.

Mr. UDALL. I think we have had a most fruitful and helpful day in taking testimony here.

We will meet again tomorrow morning at 10 o'clock, in room 215 of this building.

The subcommittee stands adjourned until that time.

(Whereupon at 3:50 p.m., the subcommittee was recessed to reconvene at 10 a.m., March 15, 1966.)

FEDERAL SALARIES AND FRINGE BENEFITS

TUESDAY, MARCH 15, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMPENSATION OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 10:15 a.m., in room 346, Cannon Building, Hon. Arnold Olsen, presiding.

Mr. OLSEN. The subcommittee will come to order.

Mr. James O'Toole of Sharon, Pa., president of the National Association of Postmasters is our next witness. He is accompanied by our old friend, John Snyder, the executive director of that organization, and Mr. Lemuel Houston, postmaster from Fredericksburg, Va. Mr. Houston is also chairman of the legislative committee of the national association.

Mr. O'Toole, we are very happy to have you with us.

STATEMENT OF JAMES L. O'TOOLE, PRESIDENT OF THE NATIONAL ASSOCIATION OF POSTMASTERS OF THE UNITED STATES, ACCOMPANIED BY JOHN P. SNYDER AND LEMUEL HOUSTON

Mr. O'TOOLE. Good morning, Honorable Chairman. It is a privilege to appear before your committee.

Mr. OLSEN. We are always happy to have you with us.

Mr. O'TOOLE. The National Association of Postmasters has long maintained that it is in the best interests of the Government and all its employees to establish Federal salary schedules which embrace:

First, comparability within the Government so that differences in qualifications and levels of responsibility are matched by commensurate differences in compensation; and second, comparability between the salary structures of Government and private enterprise.

For years resolutions advocating this sound principle have been adopted by delegates to the national conventions of this association. Full implementation of this principle is our prime legislative objective for 1966. We are firmly committed to the basic tenet that Federal salary schedules must guarantee to every employee the fruits of his labor. Wisdom and justice demand that these schedules be conceived without favor to the many and without discrimination to the few.

Under different circumstances we would urge your favorable consideration of H.R. 12838, Representative Hanley's bill to bring true comparability to the Federal salary schedules at the lower levels and to correct some of the more glaring inequities which have existed in the middle and higher levels for so long. In view of the position taken by the President, we recognize the futility of seeking or expecting

true comparability this year. Certainly the needs of our Nation are paramount to those of its employees.

We, and all Federal employees, were heartened by the establishment of comparability as a Federal policy through enactment of Public Law 87–793, and by the several reaffirmations of this commitment by the Congress and by the President. We believed then, as we do now, that the President had in mind employees at all levels last May when he said:

> A double standard which puts the Government employee at a comparable disadvantage is shortsighted.

Even since 1962 implementation of the comparability principle has been promised. As recently as August 23, 1965, the Postmaster General told a committee of the Congress:

> I recognize that the average 3-percent increase still does not give equivalent comparability to employees in the middle and higher levels—our supervisors and postmasters * * *. It is our hope and intent to achieve full comparability for all levels at an early date.

In this hope, gentlemen, we fully share.

It is discouraging to realize that up to the present time Federal employees have not attained salary comparability with their counterparts in private enterprise. We gratefully acknowledge that some progress has been made in this direction during the past 3 years, particularly in the lower levels. But comparability remains far short of realization for those in the middle and higher levels. These postmasters and supervisors have received income below that of comparable salary structures in private enterprise for many years as the result of a succession of flat, across-the-board adjustments in pay which narrowed the differential between labor and management.

It is gratifying to note that the President has taken this inequity into consideration and that he recommends slightly larger percentages of increase in levels where the disparity is greatest. We urge you to retain this feature of the President's recommendation. Not only is it in accord with the policy established by the Congress, but it is in the best interest of the postal service and all its employees.

The present salary structure adversely affects all Federal employees. On the one hand, it requires management and supervisors to indirectly subsidize the operation of the Post Office Department by working for less money than is paid by private employers for comparable services. On the other, it reduces the incentive of employees in the lower levels to aspire to supervisory positions.

It is our conviction, gentlemen, that differences in compensation schedules must be large enough to make management and supervisory positions attractive and meaningful. Since all supervisory positions in our post offices and an increasing number of postmasters are now selected from the ranks of career employees, it is essential that there be sufficient inducement to attract the best of our clerks and carriers to supervisory registers. Prestige alone is not enough.

It is not uncommon for a level 4 or 5 employee to decline promotion to a level 7 supervisory position because the difference in pay is not sufficient to compensate him for the headaches which often accompany greater responsibility. A large post office in New Jersey is presently facing a critical situation because eligible employees in the lower levels are unwilling to accept promotions. As a result, supervisory positions in this office cannot be filled.

There have been other instances when a level 7 supervisor has reverted to level 4 at his own request, for the same reason. Our employees are discovering too late that remuneration and responsibilities are not compatible at the supervisory levels.

We also maintain that management should receive greater compensation than those whom they manage. This is considered fundamental to the preservation of the American system of enterprise. Because Federal pay schedules fall short of true comparability some of our postmasters, particularly in the smaller offices, are paid less on an hourly basis than the employees they supervise.

In Vermont, as an example, the salary of a postmaster averages about $2.45 an hour. The salary of his rural carrier averages about $3.30 an hour. This is impossible to rationalize, particularly when it is remembered that aside from his scheduled hours of work a postmaster is charged with full responsibility for his office 24 hours of every day.

Likewise, there are some post offices in which the assistant postmaster or some other supervisor receives a larger salary than the postmaster, and where a supervisor receives less than a senior clerk or carrier. Such inequities exist today and they will continue to exist until comparability becomes an actuality.

In summary, gentlemen, permit me to reiterate that the association I represent favors true comparability at all levels of the Federal service. We know that this cannot be accomplished this year, but we feel that you can bring the middle and higher levels more in line by holding fast to the President's proposal for graduated percentages of increase. We do not ask anything that is unreasonable or unrealistic, and certainly we do not desire to jeopardize our country's economy. Within these bounds we petition you to consider the simple justice of granting larger raises in those levels where the greatest disparity exists. This is what our President has promised. It is what he now recommends.

Every postmaster in the United States is committed to the need for comparability. It is our earnest hope that we will not have to wait much longer for the fulfillment of the firm pledge made to employees at all levels by the enactment of Public Law 87–793.

That is our statement. We certainly thank you for affording us the privilege of presenting it on this date and we certainly solicit your kind consideration thereof.

Mr. OLSEN. Thank you very much, Mr. O'Toole. And thank you, Mr. Snyder and Mr. Houston, for a splendid statement.

We have a tough situation. There just isn't enough money to go around because of circumstances beyond the control of any of us. But I know we are going to do the best we can with the President's recommendation. We are pleased to note that you support this recommendation.

Mr. O'TOOLE. Thank you very much, Mr. Olsen.

Mr. OLSEN. Out next witness is Mr. John G. Brady, legislative chairman, National Association of Internal Revenue Service Employees.

STATEMENT OF JOHN G. BRADY, LEGISLATIVE CHAIRMAN, NATIONAL ASSOCIATION OF INTERNAL REVENUE SERVICE EMPLOYEES, ACCOMPANIED BY CHARLES F. BEIRNE, SECOND VICE PRESIDENT, AND GEORGE BURSACH, EXECUTIVE SECRETARY-TREASURER

Mr. BRADY. Thank you.

Mr. Chairman, I would like for you to meet Mr. Charles F. Beirne, second vice president of the National Association of Internal Revenue Service Employees.

Mr. OLSEN. We are happy to have all of you here.

Mr. BRADY. Mr. Chairman, and members of the committee, Mr. Bursach and I appreciate the opportunity to present our association's views on the 1966 proposals for Federal employee pay and benefits.

We fully support the President's comments of May 12, 1965, when he said:

> * * * equal pay for substantially equal work, and pay distinctions in keeping with work and performance distinctions; and salary rates comparable with private enterprise salary rates for the same levels of work.

Also his concern for the "dignity, opportunity, and profound personal achievement in the public service as a profession." Also the President's comment on March 7, 1966:

> Among the many blessings which Americans can count is a corps of Federal civil servants that is unequaled anywhere in the world. Honest, intelligent, efficient, and, above all, dedicated, these men and women represent a national resource and a national asset.
>
> America expects much of these public servants. We have made vigorous demands on their time and energy. We have exacted from them high standards of work and conduct.

Thank you very much, Mr. President. We in the Internal Revenue Service appreciate these kind remarks.

Mr. Chairman, we in the Service also appreciate your kindness and understanding of our services to the public. And I might add, you will always be able to depend on our 59,000 Internal Revenue employees to do dedicated work.

With your permission, I would like to give you a couple of sentences right at this point. Our president told Mr. Johnson, on March 1, 1966, and I quote:

> Since we met last March 1965, Internal Revenue gross collection reached $118 billion. That is a rise of 5½ percent. While we were cutting taxes, you collected all of the money while making a savings of $13 million through improved management practices in the Internal Revenue.

Mr. OLSEN. How many people lost their jobs?

Mr. BRADY. During this period?

Mr. OLSEN. Yes.

Mr. BRADY. As you know, we are in the process of automating, and, of course, the districts are fading slowly to the service centers, and the answer to your question is none.

Mr. OLSEN. A lot of people have been moved?

Mr. BRADY. Right. To proceed: No. 1, adjustment of statutory salary schedules. Our organization fully agrees with the four paramount principles as outlined in the last session regarding pay structure.

No. 1, to reaffirm the commitment of the Congress to the policy of adjusting the civilian career salary systems of the Federal Govern-

ment in accordance with the principle of comparability enacted into law in the Federal Salary Reform Act of 1962.

No. 2, to establish a new, consistent, and rational salary structure for positions of the highest level in the Federal Government in the legislative, executive, and judicial branches.

No. 3, to provide a logical and appropriate relationship between career salaries paid under the four civilian statutory pay systems and compensation for top positions in the three branches.

No. 4, to adopt a salary structure designed to meet the present-day needs of the Federal Government, the most important of which is obtaining and retaining personnel of the highest caliber at every level, without imposing upon any officer or employee a degree of financial sacrifice inconsistent with the principles of democratic government.

Will Federal employees pay for Vietnam and the Great Society? This may appear to be an unusual question, but let us examine its implication.

Without a doubt an employee of the Federal Government is as willing as any citizen in the United States to contribute his support not only to our fighting men in Vietnam but also to the underprivileged and less fortunate in this country.

However, it seems unreasonable to assess Federal employees over and above other citizens in order to do this. You may ask, "How are Federal employees paying any more than everybody else?" This can be answered very simply. They are being underpaid for services rendered. Accordingly, every year that the comparability feature in the Federal pay bills is postponed, the employee, in effect, is paying over and above his or her share toward the operation of the Federal Government and its programs.

Mr. Chairman, we would like the Congress to give us comparability this year. I note the pay of the White House assistants was raised from $28,500 to $30,000. This would amount to a 5¼-percent raise.

We require our new employees to possess educational skills of a nature which would command higher salaries in private industry. And we are constantly endeavoring to increase the skills of our experienced personnel, these efforts on a comparable basis with industry. I belong to various professional organizations and on many occasions "rub elbows" with members of these organizations in the resolution of many problems that require the utilization of professional know-how. Yet I cannot compete with their way of social life due to the lack of salary equalization commensurate with the ability which I am expected to possess.

Inasmuch as we are not afforded the opportunity of overtime pay and many of the other fringe benefits of private industry, it is mandatory that the pay scale of employees at least keep pace with that of private industry.

Mr. OLSEN. May I interrupt? To what level would you think it proper to provide overtime pay?

Mr. BRADY. You mean up to a certain point?

Mr. OLSEN. Yes.

Mr. BRADY. We of the association, as stated, would go up to grade 13.

Mr. OLSEN. Up to grade 13. Through grade 13 or through 12?
Mr. BRADY. Through grade 13 and including 13.
Mr. OLSEN. Do those people determine their own overtime?
Mr. BRADY. At that level; no.
Mr. OLSEN. I am glad to have that in the record. Thank you.
Mr. BRADY. Many capable employees either leave the service or become complacent due to this loss of reward for services rendered.

You are aware of the special requirements placed on us by the code of conduct. Recent surveys indicating that Federal employees were the largest single group engaged in "moonlighting" are significant. This is a clear demonstration of the need for a salary adjustment. Many are forced to obtain permission to work at two jobs to make ends meet. In this situation we all suffer.

Recruiting the past 2 years in colleges and universities to secure topflight agents has been a problem. Industries' starting salary scales have been above our GS grade structure. Therefore, we have been unable to secure top-level college graduates. New employees consider not only the entrance grades, grades 5, 7, and 9, but, in addition, look well beyond these to see what Government means in terms of their careers. They are not after large amounts of money. What they are after, it seems to me, is opportunity for useful and dignified service.

They expect the Government to be fair—as far as equal pay is concerned—and to be assured on the part of the people they work for that fairness will prevail throughout their career.

There is conclusive evidence, as you gentlemen know, to point out the fact that there is major disparity between what is paid by private enterprise and what is paid by the public to its leadership. We know that there always will be disparity. We know that many of those who come to work for the Government do so because they feel the importance of rendering service. We feel, however, that we must not penalize them for desiring to be of service to their country.

Our organization, composed of over 27,000 Internal Revenue employees, strongly urges the principle of comparability when you debate the issues covering 1966 pay bill.

At this point, Mr. Chairman, I would say our association would like to go on record as supporting an effective date for the pay bill of July 1, 1966.

Revised tax treatment of retirement benefits: Pensions paid to retired employees are usually taxable compensation, although there have been exceptions. Annuities or pensions paid under the Railroad Retirement Act are not taxable. Payments under the Social Security Act are not taxable to employees or their families. The following unemployment payments are not taxable: Unemployment payments made by a State agency out of the Federal unemployment trust fund; payments made to Federal employees during unemployment periods by State or Federal agencies; and unemployment benefits received from a private fund, except to the extent that they exceed the amounts contributed by the recipient-member. Annuities paid to Federal civil service employees are taxable like any other ordinary annuities, as are servicemen's annuity payments.

Our association, at the 27th annual convention, on August 23–28, 1965, Washington, D.C., adopted the following recommendations:

To exempt from income tax, annuities and pensions paid by the United States to its employees; whereas social security and railroad retirement pensions are excluded from gross income for income tax purposes; and

Whereas due to increased cost of living and impaired productive ability, our retired employees are facing difficulty in maintaining a good standard of living: Be it

Resolved, That this convention supports bills H.R. 1013 and H.R. 1126 now in the Ways and Means Committee of the 89th Congress.

Full annuity at age 55 with 30 years of service: Our association strongly urges and recommends the enactment of full annuity at age 55 after 30 years of service with certain reservations.

We believe that many of our employees with 30 or more years of service would avail themselves of the opportunity of retiring at an age earlier than now possible, and that 30 years of service is universally accepted as a period of full and complete service.

We would like to comment on Mr. Macy's testimony of March 7, 1966, and I quote:

> We now recommend that optional retirement on full annuity be permitted beginning at age 55 after 30 years of service, and that Government, as employer, be allowed to initiate the option for employees at GS-13 and above.

Our association has instructed me that we are not in favor of the Government option if they are to use the privilege to retire workers GS-13 and above as a "tool" for personal reasons by management. We feel necessary safeguards should be enacted to protect the employee against abuse of this measure.

With your permission, Mr. Chairman, I have just got a couple of items here and I will just be a minute.

Mr. Macy's testimony of March 6, 1966, was silent on Mr. Daniels' hearings amending the Federal employees' group life insurance. Also very silent on H.R. 10298 and H.R. 10299, by you, Mr. Chairman. You adopted this bill and, as you know, these bills are to provide that time spent on actual travel be considered hours of work.

Our service causes many hours of overtime.

The moving expenses bill, we in the service are constantly on the move. We need the help of this bill on the moving expenses. We are transferring all the time.

Finally, in your debate on the pay bill, that you include the employees of the legislative branch, the real workers in the U.S. Government.

Mr. Chairman and members of the committee, on behalf of our 27,000 members, my sincere thanks for allowing me the privilege to appear here today.

Mr. OLSEN. Thank you very much. It is always a pleasure to have you come here, Mr. Brady.

I am going to ask you to do us a favor. We would like to have a proposed amendment from you with your recommendations on overtime and traveltime, and overtime for traveltime. I would like to have some support for the proposition that, in addition to paying adequate travel expenses for moving families, we do as they do in some agencies of the Government, in the Defense Department, for example, and assist in the sale of the man's home and in the purchase of a new one.

Mr. BRADY. Which industry is doing.

Mr. OLSEN. Surely. I don't think it would change the cost of this bill at all. The cost would be insignificant, and I think this is the year to do it. We are in a kind of straitjacket—the guidelines—and this is the time to talk about those fringe benefits that are not really very expensive and would mean better management, better supervision.

This is what overtime provisions, traveltime pay, and so forth, would do. They would force leaders and supervis rs to do a better job of planning. This is the time to do it, and I would like to hear from you on that.

Mr. BRADY. Thank you very much.

Mr. OLSEN. Thank you.

Mr. BURSACH. Mr. Chairman, I want to join Mr. Brady and Mr. Beirne in expressing thanks to your committee for these hearings. I want to point out to you and the members of this committee that both of these gentlemen are members of the National Association of Internal Revenue Employees and employees of the Internal Revenue Service. They are representing their fellow employees in this presentation and are doing it on their own annual leave.

Mr. OLSEN. Mr. Krebs.

Mr. KREBS. First of all I am sorry I wasn't here for all of your testimony, but I had to introduce a constituent who was testifying upstairs.

I have read your statement hastily, and I want to say that I think it is a good job of representing the people you are privileged to represent. I couldn't help overhearing what you said to the chairman about traveltime. I know there is not much about it in the statement.

Since there were some allusions made in some of the testimony in previous hearings, perhaps we were looking for luxuries and pay at premium rates for the Federal civil service employees, both classified and others, and I thought maybe you ought to put in the record what this really means.

For example, we had some examples from some of the other agencies where a nurse working for the Veterans' Administration might be required to accompany a patient being transferred from one veterans' hospital to another, and because of the peculiarities which require work status as rigidly defined, the nurse might be paid along with the ambulance driver who accompanies her and drives the patient and the nurse and the attendant. As long as the patient is in the ambulance, she is technically in a work status. But she might deliver the patient 350 or 400 miles away, and as soon as the patient is out of the ambulance and she rides back in the ambulance without the patient, she is no longer paid. The ambulance driver is still paid because he still has his vehicle, but the nurse isn't.

On top of that, you have employee guards in Federal prisons who have to transfer a prisoner. As long as he has the prisoner handcuffed to him, he is working. But the minute he deposits the prisoner in the new prison he is transporting him to, and he starts back home, he isn't paid because he is not in work status.

We are not asking for luxuries, it seems to me, but we are asking for the inequities to be cleared up. I think in view of some of the questions and answers that were put on the record, for you to just tell how this would affect your people.

Mr. BRADY. Alcohol tax men who go out in the woods looking for the still, away from home at night, out laying on their bellies in the woods looking for the still, there is no traveltime until they get out there.

Mr. OLSEN. It is the same for book examiners. They get paid while they are examining the books, but they go and come on their own time. When the present system of district offices is replaced with a centralized automated system, examiners will travel many more hundreds of miles.

Mr. BRADY. Our small offices are evaporating.

Mr. OLSEN. The man today who travels from Helena to a small community in Montana, a trip of perhaps a hundred miles, will in the future have to travel from Salt Lake City or Denver, and he will not be paid for the trip up or back. He will get paid only for the time spent after he gets there.

Mr. KREBS. Let me ask you this: I understand this is not uncommon in the Internal Revenue Service, where an agent is called in by his superior on Friday afternoon and told that Monday morning, instead of reporting to Richmond, Va., or wherever his base of operations are, that he is to report to Newark, N.J., Chicago, or wherever. Are these people paid for this traveltime?

Mr. BRADY. No, sir.

Mr. OLSEN. Thank you very much.

Mr. BRADY. Thank you very much, sir.

Mr. OLSEN. Our next witness is Mr. Joy Flud of Durant, Okla. He is president of the National Association of ASCS County Office Employees and is accompanied by Mr. Clyde R. Payne, Mr. Warren Greer, Mr. Raymond Vanderhorst, and Mr. Dillard Lasseter.

STATEMENT OF JOY FLUD, PRESIDENT, NATIONAL ASSOCIATION OF ASCS COUNTY OFFICE EMPLOYEES, ACCOMPANIED BY CLYDE R. PAYNE, SECRETARY-TREASURER; WARREN GREER, LEGISLATIVE CHAIRMAN; RAYMOND VANDERHORST, VICE PRESIDENT; AND DILLARD LASSETER, NASCOE LEGISLATIVE REPRESENTATIVE

Mr. FLUD. Thank you, Mr. Chairman. As president of the National Association of ASCS County Office Employees, I am representing the 15,000 employees who work in the county ASCS offices of this country. I am assisted by Mr. Clyde R. Payne, Jasper, Fla., our secretary-treasurer, who will have a statement for you. We are also accompanied by Mr. Raymond Vanderhorst, vice president, Bussey, Iowa, and Mr. Dillard Lasseter, NASCOE's Washington representative.

NASCOE officers have had the privilege on a number of occasions in the past several years to appear before this distinguished group in behalf of NASCOE members, and I want to take this opportunity to thank you for the consideration you have given us each time we have appeared. The agency for which we work is the Agricultural Stabilization and Conservation Service. We administer the farm programs at the county level which you, the Congress, provide to benefit the Nation's farm people.

We want to commend this committee, the Congress, and the executive branch, for their good judgment in providing, in the Salary

Reform Act of 1962, for a continuing study of the Federal pay structure comparing it with compensation in business and industry. Pay levels comparable with those in competing fields will provide a means that will enable Government to retain trained and efficient employees. In the past our ASCS offices across the Nation have faced the constant problem of seeing trained people leave service in our administration of your farm programs to take positions in business and industry where pay scales and fringe benefits were more attractive. You have provided a means that will make it possible for us to keep these well trained and qualified people, if you see fit to continue the comparability feature you have initiated.

I will impose on you for only a short time presenting our wishes in connection with the proposed Federal salary adjustments. My testimony will not contain statistics or references furnished by others. You have a staff of experts. You have access to reliable data. I will take no time to add emphasis to it.

Our views are consistent with that of many other witnesses that support the principle of comparability. At the same time, we know that you must make a fair application that will serve both the interest of the employees and the public. So, being fully acquainted with your sense of fairness, we are willing to leave the amount to you. Our people will be glad to abide by and respect your decision.

We feel it most important that you specifically include ASCS county office employees in any pay legislation that you approve. All our duties evolve either from congressional action or U.S. Department of Agriculture directive. Sometimes, in the past, we were not recognized as having Federal functions. I think, in our earlier appearances, we have established to the satisfaction of this distinguished committee that all our duties are Federal—not State or county—in administering the farm programs in the field that have been provided for by the Congress and the U.S. Department of Agriculture.

If you do not specifically include us in the legislation that you approve, you will be making our ASCS employees not only subject to unfair competition from business and industry, but also our sister agencies of Government. Your farm programs provide a service to agriculture of which we feel you are proud. We hope you will help us retain our trained people to continue to give good service.

Our desire is that this committee will favorably consider a provision that will treat ASCS people the same as other Government employees. In the event your committee approves any pay raise for Federal employees, we request that you include a section that provides:

> The rates of compensation of persons employed by the county committees established pursuant to section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590H(b)) shall be increased by amounts equal as nearly as practicable to the increase provided by this act for corresponding rates of compensation in the appropriate schedule or scale of pay.

We are asking that we be given the same consideration that you were nice enough to give us when enacting the 1962 Salary Reform Act and other salary adjustments legislation since that time.

I wish again to express our appreciation for the courtesies you have shown us and the opportunity of appearing before this committee to explain the position of our organization on this proposed legislation. The employees in each of the more than 3,000 agricultural counties across the Nation will always be grateful to you for giving me this opportunity to present their views. Thank you, Mr. Chairman.

Mr. Payne has a short statement that he would like to make.

Mr. OLSEN. Thank you very much. I think I can assure you that ASCS will certainly be included in any bill we pass.

Mr. Payne?

Mr. PAYNE. I would like to file my statement and make a few comments.

Mr. OLSEN. Without objection, your statement will appear complete in the record at this point.

(The referred to statement follows:)

PREPARED STATEMENT BY CLYDE R. PAYNE, SECRETARY-TREASURER OF THE NATIONAL ASSOCIATION OF AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE COUNTY EMPLOYEES

I am Clyde R. Payne, Hamilton County ASCS officer manager, Jasper, Fla., and secretary-treasurer of the National Association of ASCS County Employees.

The National Association of Agricultural Stabilization and Conservation Service Employees (NASCOE) is a voluntary organization of county Agricultural Stabilization and Conservation Service employees—hereafter referred to as ASCS employees. Approximately 93 percent of ASCS employees are members of NASCOE. The sole purpose of this organization is to promote the welfare of its members. Each State of the United States has a State organization of ASCS county employees and is affiliated with NASCOE. Each State affiliated has two members on the board of directors. NASCOE has national officers and an executive committee representing the six ASCS geographic areas of the United States. They are:

	Name	City and State
Area:		
Northwest	Jerry Rees	Spokane, Wash.
Southwest	R. M. Christensen	Red Bluff, Calif.
South central	Jack Gipson	Walnut Ridge, Ark.
Southeast	Ralph Farr	Union, S.C.
Northeast	Evelyn Yeagle	Collegeville, Pa.
Midwest	Robert Scales	Plankinston, S. Dak.
Officers:		
President	Joy L. Flud	Durant, Okla.
Vice president	Ray Vanderhorst	Bussey, Iowa.
Secretary-treasurer	Clyde R. Payne	Jasper, Fla.
Past president	H. Woodrow Jones	New Boston, Tex.

All officers, committeemen, etc., are ASCS employees with no salaried personnel but we do have on a retainer basis Mr. Dillard B. Lasseter, Post Office Box 381, Washington, D.C., who keeps us advised on legislative activity and assists us in legislative work.

The Agricultural Stabilization and Conservation Service employees carry out various Federal programs assigned to them by the Congress, Secretary of Agriculture, Executive orders, etc. The headquarters for ASCS is in the U.S. Department of Agriculture Building, Washington, D.C. There are, also, State and county ASCS officers who administer only Federal programs. County, city, or State governments have no connection with the National, State, or county level of ASCS.

ASCS employees on the county level administer directly to farmers of the United States a great number of the complex USDA farm programs, such as the soil bank, agricultural conservation, marketing quotas (tobacco, cotton, wheat, peanuts, and rice), commodity credit loans, cropland adjustment program, wool incentive payments, sugar, feed grain, etc. This is practically all the action programs of USDA.

Previously this committee has determined and the Congress agreed—and we ASCS employees shall always be grateful to you—that we, the ASCS employees on the county level, would have civil service retirement, health and life insurance previously given to other Federal workers and you have included us in your recent pay adjustment bills. You have, also, placed us under the severance pay legislation.

Today, we are before you representing approximately 15,000 ASCS county office employees respectively requesting county ASCS employees be specifically

included in any legislation favorably acted upon by this committee in regard to salary and fringe benefits.

As our functions are entirely Federal we have no source, other than you, to ask for salary adjustments and fringe benefits. We don't have a specific recommendation for the percentage of increase in salaries. We know the cost of living has risen and we need larger salaries. We know you will use the facts you have obtained to determine a "just" increase. We feel county ASCS office employees' salary schedule is now below the salary schedule of other Federal workers performing similar duties. If we were not specifically included in pay raise legislation in 1966 it would only "widen the gap," therefore, please include us.

In regard to retirement at 55 years of age with 30 years' service, our organization strongly recommends this enactment. Our reasons for enactment are similar to reasons presented to you by other witnesses.

We, also, favor the proposal of transfer of credits from the civil service retirement system to social security for persons with less than 5 years of civil service retirement so they or their families will be eligible for social security benefits.

Again, when the final bill is "marked up" please be sure wording is included in the bill so county ASCS employees will receive identical pay raises as other Federal workers as well as fringe benefits.

The county ASCS employees of the United States appreciate this opportunity to present our views and we thank you for the past favorable consideration you have given us.

Mr. PAYNE. Approximately 93 percent of the employees of ASCS are members of our association. I might add that your State and Mr. Krebs' State are two of our strongest affiliates. Every State is active, but your two States are very active.

We and the gentlemen before us have no salaried leave and we are also on leave up here, and some of us need to get back home and get to work.

In regard to this retirement at age 55 with 30 years' active service our organization recommends the enactment of this section with some type of safeguards for the employee. I don't know exactly what we would like to offer, but we think there should be some type of safeguard.

Mr. OLSEN. There ought to be a kind of review that the employee could get if he wants it when he is being retired by his superiors.

Mr. PAYNE. This might be a little odd for us to make this kind of statement, but we have very few safeguards with 2 years of service or 5. We have few safeguards.

Mr. OLSEN. I see. You might put that into the proposed amendment.

Mr. PAYNE. Thank you. We will work on this.

Mr. OLSEN. I am sincere about this. Your people are good, dedicated employees of Federal programs. You work for the counties, and I think you ought to submit a proposal that would improve your status.

Mr. PAYNE. How long would we have?

Mr. OLSEN. Don't take too long. We are up against a small pay package, and I want to move it fast.

Mr. PAYNE. We will get you something fast.

Mr. OLSEN. All right.

Mr. PAYNE. Thank you, sir.

Also, this proposal on transfer of credits for the short-term employee from civil service, we know very little about this but we think we would favor this because we think we have some employees that this would be beneficial to. We can't see where it would hurt anybody.

Once again, as Mr. Flud said in behalf of all of ASCS employees all over the country, we would like to thank this committee again. We were a group of country boys that had never been to Washington until 1960, and you gentlemen have taken us to your heart.

Mr. OLSEN. You came here when I did. I was a country boy until I got here, too.

Mr. PAYNE. The country is still in us, Mr. Chairman. I don't know whether it is out or not.

Thank you again, very kindly.

Mr. OLSEN. Thank you, gentlemen.

Mr. Krebs?

Mr. KREBS. I want to join the chairman in thanking Mr. Flud and Mr. Payne for their testimony. I want to assure you—and I know the chairman feels the same way—that it doesn't matter whether you come from an organization that is large and powerful or small and not so powerful. I think you are still entitled to the same protection.

I just want to admonish both of you to not be too impressed with this comparability business, because it doesn't really exist to the extent you might think it does. It sounds nice on paper, but there is a lot of invoking required and a lot of practicing comparability rather than making nice statements about it. I would not sit back and feel that the millennium is here.

We haven't accomplished comparability. I think it is something you are going to have to fight for if you are going to get it. You are only going to get it by fighting for it.

I appreciate your coming here, particularly since you are doing this at your own expense, and you had to take annual leave time to make this trip. I think this bespeaks a real dedication to the program of your organization and the people you represent.

But let me say to you, keep working at it, because you don't get anything for nothing whether you are a country boy coming to Washington, or another big-city boy coming to Washington. You have got to work for it. There is no Santa Claus.

Thank you, Mr. Chairman.

Mr. OLSEN. Thank you, gentlemen, very kindly. Thank you very much.

Mr. PAYNE. Thank you, Mr. Chairman.

Mr. OLSEN. The committee has no more witnesses today. The committee is adjourned.

(Whereupon at 10:55 a.m., the Subcommittee on Compensation was adjourned until 10 a.m., Wednesday, March 16, 1966.)

60-359—66——17

FEDERAL SALARIES AND FRINGE BENEFITS

WEDNESDAY, MARCH 16, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMPENSATION OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 10:05 a.m., in room 215, Cannon Building, Hon. Morris K. Udall (chairman of the subcommittee) presiding.

Mr. UDALL. The subcommittee will come to order, for the further consideration of various bills relating to Federal salaries and fringe benefits.

We have scheduled this morning only one witness, because of the importance of the presentation of that witness. We are happy to have with us the Honorable Charles L. Schultze, Director of the Bureau of the Budget, accompanied by our old friend, Roger Jones, and Mr. David McAfee, management analyst, Personnel Management Branch.

Welcome, gentlemen. Mr. Schultze, we are happy to have you and you may proceed.

STATEMENT OF HON. CHARLES L. SCHULTZE, DIRECTOR OF THE BUREAU OF THE BUDGET, ACCOMPANIED BY ROGER W. JONES, SPECIAL ASSISTANT TO THE DIRECTOR, AND DAVID McAFEE, PERSONNEL MANAGEMENT BRANCH

Mr. SCHULTZE. Thank you, Mr. Chairman.

I do appreciate this opportunity to present a summation of the administration's views on civilian compensation policy and the proposals for legislation now pending before the subcommittee. The purpose of all of the proposals is to improve the total compensation of Federal civilian employees, not just their pay.

A review, of course, of the hearings to date suggests that it might be helpful if I placed the main emphasis of my testimony on four subjects: One, the wage-price guideposts; two, the budgetary situation; three, the case for varying percentages in pay adjustments; and four, the relationship of the first three subjects to the comparability principle.

Now let me turn to the wage-price guideposts, a subject of no small concern.

Mr. UDALL. It has been mentioned in these hearings.

Mr. SCHULTZE. Reasonable price stability is an important objective of economic policy. Price inflation damages a free society in a number of ways. Three of these are particularly harmful:

First, inflation often tends to induce economic behavior which ultimately threatens prosperity. It encourages a speculative and unsus-

tainable level of investment and channels investment into fields which are not the most productive, precisely because they are often the most speculative. When, as it must, the investment which results from inflationary speculations falls off, economic growth is interrupted and recession ensues.

Second, inflation redistributes income in a capricious manner—heavily rewarding some and penalizing others. These rewards and penalties have nothing to do with either need or economic productivity. Indeed, those in the greatest need, living on small, fixed incomes, are penalized worst.

Third, inflation by raising the price of the goods we sell abroad robs us of our foreign exchange earning power, widens the balance of payments deficit, and reduces our ability to meet our commitments abroad.

After 5 years of unprecedented and uninterrupted growth, the American economy has moved up from a position of substantial unemployment and excess industrial capacity to a situation of high-level prosperity. This unparalleled recession-free growth has not been importantly marred by inflation. There is no reason why economic growth without inflation cannot continue. But it is obvious that the problems of restraining inflation in a period of high employment and relatively full utilization of plant capacity are much more difficult than in a period of substantial unemployment and excess capacity.

In this context the wage-price guideposts take on particular importance. We are no longer a nation of small farmers and shopkeepers, no one of which has the power to determine prices or wage levels. Individual unions and business managements, particularly in a period of high prosperity, can reach wage and price decisions which appear to be in their own interest but which add up to inflationary consequences. Individual decisions which, considered in isolation, might have seemed to benefit the parties involved, can end up leading to a general rise in prices which penalizes even those who made the original decisions. This is the problem to which the wage-price guideposts address themselves. They are designed:

One, to provide wage and price decisionmakers with economically sound, specific standards for judging whether their decisions are responsible, in the sense of being noninflationary. They make it possible for decisionmakers to weigh their own actions in the light of the national welfare.

Two, to provide a standard by which the public at large can reach its own conclusions about wage and price decisions with respect to whether they are in the national interest.

The general guidepost for wages is that the annual rate of increase of total compensation—pay plus fringe benefits—should equal the national trend rate of increase in productivity. Whether compensation is paid in the form of basic pay or in fringes—it enters into costs. If compensation increases no more rapidly than the long-term increase in national productivity, then labor costs of production for the Nation as a whole do not rise.

After reviewing the trends in long-term productivity gains the Council of Economic Advisers has recommended that the wage guideposts continue to be set at an annual increase of 3.2 percent. The President adopted this recommendation. His position was made

clear in his economic message of January 27, 1966. Permit me to quote a short passage:

> The vigorous economy we foresee in 1966 will tempt labor unions to demand wage increases that would raise costs, and businesses to raise prices when profit margins are already fully adequate. Labor must remember that growing employment and productivity are the foundation of higher wages, and business that an expanding economy is the basic source of profit gains. These foundations must not be jeopardized.
>
> The Federal Government does not have authority to impose ceilings on wages and prices.
>
> But when 200,000 of our fellow citizens are risking their lives in the defense of freedom overseas, the Government's duty is to ask those who enjoy a comfortable prosperity at home to exercise responsibly their freedom to set prices and wages.
>
> Forgoing the freedom to act irresponsibly is no real sacrifice. For irresponsible action can only bring on an inflation that would damage all—labor, business, and the national interest.

The pay, retirement, and health benefits proposals for Federal employees which the President has recommended are consistent with the guideposts. I applaud the action of many Federal employee organizations in accepting this basic principle. I believe it is directly in the best interest of their members. Unless the Government, as an employer, lives up to its own guideposts, it can scarcely expect private employers and unions to do so. It is precisely for this reason that observance of the guideposts is in the best interests of Federal employees themselves. History shows that few groups are hit harder by inflation than Government employees and annuitants. It would indeed be an illusory gain to win an immediate pay increase in excess of the guideposts, and then to watch the consequences of that action spread to other sectors of the economy, thereby wiping out the gain through inflation.

Let me turn now, if I may, to the budgetary situation. The allegation has been made that budget policies, together with the wage-price guideposts, have been used to negate the comparability principle of the 1962 Salary Reform Act. This is false. The comparability principle is still central to our compensation policy.

The economic and budgetary situation makes it impossible to attain full comparability immediately. But this no more denies the President's commitment to the comparability principle than the fact that we cannot in 1 year attain our full objectives in education, health, or pollution control denies the President's commitment to those goals. The 1966 pay proposals were explicitly drawn up, in terms of the comparability principle, to the full extent permitted by economic and budgetary considerations.

The President has consistently supported pay increases as an integral part of his budgets. The facts make this clear. As a result of legislative and administrative action taken in 1964, the total added cost of military, civilian, and wage board pay adjustments were $969.8 million. Similar action in 1965 proposals now before this committee, the first full-year costs will be another $485 million. In total, over a 3-year period, over $2.9 billion of compensation costs will have been added to the budget.

Formulation of the 1967 budget presented, as you all know, a difficult problem. The war in Vietnam and continued economic growth at home made it necessary to change the emphasis in fiscal policy from economic stimulation to economic restraint. Excluding Vietnam, budget expenditures in 1967, including a contingency

allowance for civilian pay adjustment, will rise by only $600 million—about one-half of 1 percent. This increase reflects not an arbitrary holding of the line on every program but a selective mix of expenditure increases and decreases which approximately offset each other.

In the light both of the guidepost and of the realities of fiscal policy, it was clear that a conservative policy had to be adopted with respect to further pay increases in the next fiscal year. Frankly, some consideration was given to postponement of any pay adjustments until the economic and budgetary situation was more favorable. The President, quite correctly I believe, rejected this alternative. Attainment of full comparability, on the other hand, for all grades, effective for all of fiscal 1967 would have cost over $837 million. It would be fiscally irresponsible to incur added costs of this magnitude—quite apart from the effect on the guideposts. Consequently, after most careful consideration the President has proposed a combination of pay, retirement, and health benefits which meet the necessities of both fiscal prudence and guidepost principles. This involves an average 3.2 percent increase in gross compensation of Federal employees, effective January 1, 1967. In my judgment, it would have been an indefensible choice among priorities for the President to have proposed either a higher pay increase or an earlier effective date.

In short, as Budget Director, I assure the committee that pay increases for military and civilian personnel have had fair consideration and fair treatment in the range of fiscal policy decisions and in the establishment of budgetary priorities ever since enactment of the 1962 Salary Reform Act.

Let me turn to the third point, the case for varying percentages in pay adjustments. The President's commitment to the comparability principle, including his support of annual adjustment in Federal pay if the known facts call for such adjustment, clearly required him to recommend pay adjustments in varying percentages. The basis for his proposals is to be found in the 1965 Bureau of Labor Statistics survey of private enterprise salary rates. As the committee knows, this survey, which has the formal title "National Survey of Professional, Administrative, Technical, and Clerical Pay," is conducted in accordance with the directive contained in section 503 of the Federal Salary Reform Act of 1962.

In its 1965 report, the Bureau of Labor Statistics calls attention to the fact that professional and administrative salary rates in private enterprise have been rising more rapidly than clerical rates. It summarizes the trend over the past 4 years as follows:

In the case of clerical work levels, the private enterprise increases for 1961–65 were 10.6 percent; for lower professional and administrative, 13.7 percent; and higher professional and administrative, 15.2 percent.

It is also pertinent to point out that the 3.6-percent adjustment in civilian pay authorized as of October 1, 1965, produced statutory salary schedules which left the various Federal grades in uneven relation to private enterpise rates. The adjustment pushed clerical grades above comparability with the 1964 rates reported by the BLS by amounts which varied from more than 4 percent at GS–1 to less than 1 percent at GS–5. At GS–6 and higher grades, the 1965 adjustment permitted Federal salary rates to trail the 1964 private enterprise rates by increasing percentages. At several of the highest grades, the

Federal rates are approximately comparable with the 1962 private enterprise rates.

In light of these facts, the Bureau of the Budget and the Civil Service Commission carefully examined a number of alternatives for moving closer to the comparability standard across the board. As already indicated, our analysis was made within the confines of the wage-price guideposts. When our figures were presented to the President, he decided that his proposals would provide some adjustment in all grades; move as many employees as possible within the guidepost limitation, to 1965 comparability; and, finally, close as much of the gap as possible for the remaining employees.

In consequence of these decisions, the President recommended that the pay adjustments vary in range from 1 percent to 4.5 percent. The distribution is set forth in the tables which follow this page of my statement.

The tables show for the Classification Act and for the Postal Field Service the current fourth-step pay line; the 1965 comparability pay line; the percentage increases which would be required to attain full comparability; the percentage increase recommended by the President; the resulting proposed pay line—which is reflected in the salary schedules now before the committee—and the proposed pay line expressed in terms of a percentage of 1965 comparability.

We believe that the varying percentages of increase are equitable and represent the maximum movement toward the comparability standard which can be accomplished within the wage-price guideposts. Enactment of the President's recommendations will bring 57 percent of Federal employees, including 87 percent of postal employees and more than 470,000 classified employees in the lower grades, to 1965 comparability.

With the exception of the so-called supergrade positions—GS–16, GS–17 and GS–18, of the Classification Act, and their counterparts under the other statutory salary systems—the maximum increases of 4.5 percent have been given to the higher grades. Unfortunately, we have been able to propose only a 2-percent increase in the supergrade range. This has been necessary in order to maintain some differential between GS–18 and the executive salary schedule. An increase of even 3 percent at GS–18 would push that grade above the current $26,000 rate of executive level V.

Eventually, the executive pay schedule will again have to be adjusted upward if our top political and career executives are to share in the productive gains of the Nation, and if we are not to create an unwise compression between top career salary rates and levels IV and V of the executive salary schedule. The administration does not recommend that such action be taken this year.

In summary, the variable percentage adjustment will bring more than half of Federal civilian employees to 1965 comparability—the most recent date for which we have a completed BLS survey. The proposed adjustment for the remaining employees will take up 38 percent of the gap between their salaries and 1965 comparability.

We recommend most earnestly that the Congress not grant a uniform percentage increase across the board to all grades. Such action would have two inequitable results. First, it would require the addition of $18 million to postal adjustments which would have to be particularly offset by decreases of $10 million in the Classifica-

tion Act, $1 million in the Foreign Service, and $1.4 million in the Bureau of Medicine and Surgery of the Veterans' Administration, where the lag behind the comparability standard now is greatest. Second, the flat increase would result in putting employees in grades GS–5 and below, and their equivalents in other systems, above 1965 comparability by taking away funds allocated to employees in the upper grades, who already lag well behind 1965 comparability.

In this connection, I believe that a flat percentage increase for all grades would abandon the BLS survey as a basis for measuring comparability. I cannot stress too strongly our firm belief that departure from known facts about private enterprise salaries is unjustifiable and unwise.

Let me turn now, if I may, to a short discussion to the comparability principle.

In the preceding sections of this statement, I have tried to demonstrate not only the President's commitment to the comparability principle but also to explain fully how we have proposed to move toward attainment of comparability this year. We cannot support more liberal action at the present time without breaking the wage-price guideposts or without giving pay increases an overriding budget priority which would be unjustified.

The Federal Salary Reform Act states the comparability principle in a simple declaration:

> Federal salary rates shall be comparable with private enterprise salary rates for the same levels of work.

The confusion and misunderstandings which have arisen about the comparability principle involve the words "salary rates, private enterprise" and "levels of work" in that order.

The principle and the statute say nothing about Federal increases being comparable with increases elsewhere. It establishes that the standard is measurement of "rates," not change. This is an absolute standard. Federal rates shall be brought to the level of private enterprise rates. We are trying to do this as rapidly as economic and fiscal conditions permit. The principle describes "private enterprise" without qualification. It says nothing about comparability with the better employers, or the bigger employers, or employers of organized or unorganized workers. The principle also says that Federal salary rates shall be comparable with private enterprise salary rates for the same levels of work. It does not say that Federal workers in any given occupation shall get the same salaries as their counterparts in private enterprise. It prescribes only a work level relationship, which must represent a number of occupations at the same work level.

Obviously, there will be differences in pay among the occupations. It must not be forgotten that the Federal Salary Reform Act also retained the longstanding principle of equal pay for equal work, and established a requirement for interrelated salary levels for the several Federal statutory salary systems.

In the executive branch we have attempted to develop comparability pay lines which meet the principle fully and to construct salary schedules which provide pay distinctions in keeping with work distinctions—all in an interrelated system.

In consequence, we believe that the President's proposals are consistent with the comparability principle and movement toward the comparability standard. Nevertheless, it is clear from the testimony presented to the committee that dissatisfaction and doubt about the comparability principle and the comparability process still exist. Representatives of a number of the employee organizations have suggested that the committee review comparability in all of its aspects. I believe that there would be value in such an undertaking, but I urge that this review be a joint undertaking and that it be deferred until after this year's congressional action on the proposals before the committee.

The Bureau of the Budget and the Civil Service Commission are completing a fully descriptive statement of all aspects of the comparability principle, and the processes adopted to measure and report to the President and to the Congress on implementation of the policies of the 1962 Salary Reform Act. Members of the staff of the Bureau of the Budget and the Civil Service Commission will be available to suit the committee's convenience in a thorough discussion of everything which the committee may wish to explore about comparability. I believe that our work will enable us to identify and discuss with the committee the alternatives which might be considered at every point where choice is available. If such a cooperative review can be undertaken later in this session of the Congress, the results could be used in the presentation of next year's report to the President and to the Congress.

At this point, Mr. Chairman, I would like to point out that the idea of reviewing comparability is not new. In his pay message of May 12, 1965, the President recommended the establishment of a permanent body to make a thorough and impartial review of Federal salary systems every 4 years. The sentences of the report of the special panel on Federal salaries which underlay that recommendation read as follows:

> For the long term, however, the comparability principle and continuing sound interrelationship of all Government salary systems require periodic updating of principles, concepts, and structures of those systems. It is our opinion that updating should occur at regularly established intervals and after comprehensive and impartial review conducted under clear statutory standards.

While the administration is not pressing for enactment of legislation establishing a salary review commission this year, we still believe that such a body is needed for regular recurring studies of the kind requested by the employee organizations.

We do not believe that there is anything mysterious or basically wrong with the comparability concepts, and we are quite prepared to work with the Congress and employee organizations to bring about improvements, including a thorough examination of all of the processes of job matching.

There is, however, one aspect of our attempts to move toward comparability on which I should like to comment. Some of the stories in the press and the implications of some of the testimony presented to the committee this year and last suggest that Federal comparability pay action has not adequately taken into account:

Increases in the cost of living, generally, as measured by the Consumer Price Index; increases in the economic index of output per man-hour in private enterprise.

The evidence does not support this conclusion. A comparative illustration related to PFS–4, step 4, may be helpful. I present it in the tables which follow this page in my testimony.

Mr. UDALL. Without objection, this table will be inserted in the record as will the table that followed page 8 of your testimony.

(The tables follow:)

Comparison trend of postal salaries and major economic indicators, selected periods, 1947–65

Year	Salary rate, PFS–4, step 4	Consumer's Price Index (1957–59=100)	Index of output per man-hour total private (1957–59=100)	Average hourly earnings (excluding overtime), all manufacturing
1947	$2,400	77.8	69.2	$1.18
1960	4,825	103.1	105.1	2.20
1965	5,694	111.0	125.3	2.54
Percent increase:	*Percent*	*Percent*	*Percent*	*Percent*
1947–60	101.0	32.5	51.9	86.4
1960–65	18.0	7.7	19.2	15.5
1947–65	137.3	42.7	81.1	115.3

Source: Bureau of Labor Statistics.

Trend in postal salary rates, 1945–65

Year	PFS–4 salary range		Number of within-grade increases
	Minimum	Maximum	
1945	$1,700	$2,100	4 at $100.
1965	5,181	7,026	11 at $171.
Increase	*Percent* 204.8	*Percent* 234.6	

Proposed salary adjustments, Classification Act

Grade	Current pay line	Comparability pay line—1965	Percent increase needed to reach comparability	Percent increase recommended by President	Proposed pay line	Proposed pay line as percent of comparability
GS-1	$3,864	$3,595	----------	1.0	$3,905	108.8
GS-2	4,201	4,085	----------	1.0	4,245	103.9
GS-3	4,569	4,615	1.0	1.0	4,615	100.0
GS-4	5,109	5,195	1.7	1.7	5,195	100.0
GS-5	5,694	5,830	2.4	2.4	5,830	100.0
GS-6	6,278	6,510	3.7	2.4	6,430	98.8
GS-7	6,890	7,255	5.3	2.4	7,055	97.2
GS-8	7,553	8,045	6.5	2.4	7,735	96.1
GS-9	8,241	8,900	7.5	2.8	8,470	95.2
GS-10	9,024	9,800	8.6	3.2	9,315	95.1
GS-11	9,879	10,785	9.2	3.5	10,225	94.8
GS-12	11,723	12,935	10.3	3.9	12,180	94.2
GS-13	13,815	15,365	11.2	4.2	14,395	93.7
GS-14	16,204	18,115	11.8	4.4	16,915	93.4
GS-15	18,825	21,230	12.8	4.5	19,670	92.7
GS-16	21,653	24,775	14.4	2.0	22,085	89.1
GS-17	24,548	28,835	17.5	2.0	25,040	86.8
GS-18	25,382	30,490	20.1	2.0	25,890	84.9

Proposed salary adjustments, Postal Field Service

Level	Current pay line	Comparability pay line—1965	Percent increase needed to reach comparability	Percent increase recommended by President	Proposed pay line	Proposed pay line as percent of comparability
PFS-1	$4,491	$4,590	2.2	2.2	$4,590	100.0
PFS-2	4,859	4,970	2.3	2.3	4,970	100.0
PFS-3	5,263	5,385	2.3	2.3	5,385	100.0
PFS-4	5,694	5,830	2.4	2.4	5,830	100.0
PFS-5	6,094	6,315	3.6	2.4	6,240	98.8
PFS-6	6,532	6,840	4.7	2.4	6,690	97.8
PFS-7	6,997	7,405	5.8	2.4	7,165	96.8
PFS-8	7,572	8,020	5.9	2.4	7,755	96.7
PFS-9	8,193	8,685	6.0	2.4	8,390	96.6
PFS-10	8,935	9,685	8.4	3.2	9,220	95.2
PFS-11	9,879	10,785	9.2	3.5	10,225	94.8
PFS-12	10,925	12,040	10.2	3.8	11,340	94.2
PFS-13	12,090	13,425	11.0	4.1	12,585	93.7
PFS-14	13,337	14,970	12.2	4.5	13,935	93.1
PFS-15	14,732	16,695	13.3	4.5	15,395	92.2
PFS-16	16,290	18,615	14.3	4.5	17,025	91.5
PFS-17	18,030	20,755	15.1	4.5	18,840	90.8
PFS-18	19,974	23,140	15.9	2.0	20,375	88.1
PFS-19	22,139	25,800	16.5	2.0	22,580	87.5
PFS-20	24,548	28,835	17.5	2.0	25,040	86.8

Mr. SCHULTZE. Thank you, Mr. Chairman.

If you glance at that table, I think there are a few things that are worth noting. You will note that in period 1947–60, the salary rate for PFS–4 advanced 101 percent; the Consumer Price Index advanced only 32.5 percent, and the index of output per man-hour in private enterprise increased 51.9 percent. It is interesting to note that during this same period, the average hourly earnings in manufacturing, excluding overtime, advanced 86.4 percent. The tables make similar comparisons for the period 1960–65, and for the entire period 1947–65.

It is also interesting to note that if we take into account the pay raises granted immediately after World War II, the pay of a PFS–4 employee has increased by well over 200 percent in the period since 1945. These comparisons are not meant to indicate that the salary increases were in some sense unwarranted. They were warranted. But they do, I believe, destroy the contention that somehow Federal pay action has not taken into account increases in the cost of living or in national productivity.

In summary, Mr. Chairman, the administration supports the comparability principle. We have attempted, to the best of our ability, to propose actions on pay adjustments which are consistent with that principle. We want to attain full salary comparability on a basis which is accurately measured in accordance with known facts and which is acceptable to the Congress and to Federal employees. Finally, as is the case with all Federal actions, our speed of progress toward desirable goals must be evaluated in the context of prevailing economic conditions and the context of the fiscal policy appropriate to those conditions.

Finally, let me turn to the retirement and health benefit improvements, just briefly. I shall not make any extensive comment about the President's recommendations for improvement in retirement and health benefits. I believe that his message, the report of the Cabinet Committee on Federal Staff Retirement Systems, which I had the honor to chair, and the testimony of the Chairman of the Civil Service Commission, explain what we recommend, why we make our

recommendations, and how those recommendations will benefit Federal employees and their dependents.

There have been made available to the committee legislative drafts which, together with the proposed pay schedules also supplied to you, we believe can be accommodated in an omnibus bill. We are prepared to present testimony upon any one of the recommendations about which the committee desires more information, and to work closely with you in the preparation of a final bill. I am confident that the results will mark another important milestone in establishing a Federal compensation system which is fair to employees, fair to the taxpayers, and useful to the departments and agencies in the administration of their personnel systems.

Thank you, Mr. Chairman. I am available to answer any questions which you and any of the committee members may wish to ask.

Mr. UDALL. Thank you, Mr. Schultze.

I think the President is fortunate to have a man of your insight and ability in the position you hold. I think the country is fortunate that you are there. I certainly congratulate you on a very forceful and excellent statement.

I suspect that you will be faced with some penetrating questions from some of my colleagues before you leave the table, but I wanted to start off on that note at least.

One of the arguments which has been made before our subcommittee, in connection with the guidelines you discussed in your statement, is based on lists of profits in major industrial organizations. We were told the other day that Ford Motor Co. and General Motors have increased their profits by 60, 70 percent.

Could you explain the guidelines as you understand them and the relationship to profits? Generally, as I see it, the guidelines deal with wage increases and price increases. Now, what is the relationship of profits to these guidelines?

Mr. SCHULTZE. Well, Mr. Chairman, essentially the guidelines or the guideposts, as we prefer to call them, are not in and of themselves directed toward profits. They are directed, however, through what they have to say about prices, toward increases in profits, which come not from increased efficiency or from increased volume, but from unwarranted increases in prices. Just as the guideposts are not designed to limit profits per se, we are not attempting to control the total wage bill in the economy; that is, we are not attempting to say that you can't pay in the aggregate more wages.

It is quite true, that if you look at the data on profits on most major industries in the last few years, you will see that they have increased substantially. This is characteristic of the big increase in volume which we have had over the last 5 years.

The Council of Economic Advisers points out in its report that if you take the total income of corporations before it is split up into the various components of wages, profits, and the like, you will find that the proportion of the gross income going to corporate employees is about the same in 1965 as in 1955, and even in 1948—other years of high-level prosperity. So that on the one hand it is true that profits have increased very substantially.

It is also true that because of economic policies—because of restraints shown, that prices tended—particularly industrial prices—to move up relatively modestly over the past year, particularly for a

situation of very high prosperity. And the largest bulk, although I must admit not all, but the largest bulk of the increase in profits is due to the increase in volume and to some increases in efficiency.

Mr. UDALL. Profit, while it is related to price increases, is one step removed from price increases and price increases are simply a factor which helps to determine the level of profits?

Mr. SCHULTZE. Correct, sir.

Mr. UDALL. Conversely, one may say on the employee side that wage increases may enable a person to save more and thus personal savings would go up as wages went up, but you don't attempt to determine how much people have been able to save in ascertaining wage increase guidelines?

Mr. SCHULTZE. Correct.

Another closer analogy may be that even the guideposts, with respect to wages, are not based on weekly earnings. Weekly earnings can rise because hours of work rise. In other words, volume rises. Just in the case of corporations and industrial activities, it is the price part of it and not the profit part of it that the guideposts seek to control.

Mr. UDALL. I think you have presented a very interesting balance to some of the testimony we have had here, that has been highly critical of the President and of the administration with regard to their attitude in the proposals about pay.

I was particularly struck with the statement that the Federal wage bill has increased by nearly $3 billion in the past 5 years, which certainly would indicate some commitment to increasing the adequacy of Federal pay.

Mr. SCHULTZE. In a Budget Director's mind that is quite a commitment.

Mr. UDALL. Well, the gentleman from Louisiana yesterday made a rather forceful statement in support of his belief that President Johnson has a real commitment to adequate pay for Federal employees, and discussed in some detail the steps he had taken during his administration and steps that President Kennedy had taken, remarks that I associated myself with yesterday. I think you have certainly given us some additional information to back up this suggestion.

We have a real dilemma, and I think it is a difficult thing for the employee organizations and for many of the members of this committee to accept, the dilemma between guidelines and comparability.

On one hand, we say we are dedicated to providing full comparability for all levels of Federal employees. At the same time, the administration says that it is controlled by guidelines. The guidelines take priority over comparability, I guess, is another way of putting it.

One of the things that troubled me and I think some of the employee organizations is the old question, "When is the year, when is the right time to get full comparability?" There never seems to be a right year. Last year and the year before there were budgetary problems that prevented us from getting full comparability. I offered a bill last year that was finally adopted by the House, which provided for an automatic catchup of 50 percent toward comparability, effective last October. At least this would have met the commitment of the administration to full comparability. Yet this was rather strongly and

forcefully and successfully, I might add, opposed by the administration in the closing days of the last Congress.

Could you comment on this dilemma?

Mr. SCHULTZE. Yes, sir.

Mr. UDALL. How can you have both guidelines and comparability?

Mr. SCHULTZE. I will quite agree with you that it is a dilemma. There is no question of that.

Let me make a number of points. First, the action taken in the 1962 Salary Reform Act and the pay increases granted in 1964 and 1965 clearly moved Federal employees up relative to where they had been with respect to private employees. To take a specific example: Between 1961 and 1965 the average salary rate in private enterprise for a work level comparable to postal level PFS–4 increased by 13 percent. If this administration proposal is adopted, the schedule rate for PFS–4 (step 4) will have gone up by 21 percent. So that in periods in which the problems of inflation are not so prevalent, not only in a theoretical way is it true to say that the administration would be willing to move up faster toward comparability, but the record shows that Federal salary rates actually did move up rapidly toward comparability. If you look at the relationship between Federal salary rates and private salary rates in 1961, and look at them as they would be if this bill were enacted, it is clear that major progress has been made.

However, as I indicated earlier, just as has been the case in a number of firmly committed goals of the administration, that economic conditions do have to influence the rate at which you can move to those goals. Even with the guidepost limitations, if you want to call them that, this set of pay proposals would move toward comparability, although admittedly at a slower rate than would be warranted if conditions were different.

So I can say first that we are committed to comparability. We believe Federal employees should move up closer to and attain comparability. We believe that this has to be done at a speed which depends on economic conditions. Not only is this a commitment to the future, but also a commitment has been demonstrated in the past when economic conditions were such that we could move more rapidly.

Mr. UDALL. Let me put the administration on notice as one who is committed to the standard of full comparability and as one who is dedicated to fight against inflation.

I recognize there is nothing more important than heading off a disastrous inflation. In fact, I have a newsletter for my constituents that came off the press this morning in which I state I am ready to support a tax increase to head off inflation this year.

If we could find a time—and give me a million dollars—and spread it out over this full pay schedule, we could get full comparability in all grades. Under the economic principles that seem to have been adopted in this country, there are times when you restrain the economy, and there are times when you want to stimulate it. If we get in one of these stimulation times, I am going to be fully prepared to get full comparability arguments. I won't be available in a situation like that and maybe next year will be one of these times.

We keep telling the organizations to wait until next year, that this is next year and that we are ready to go. So I wanted to make that point.

Before my time runs out, let me ask you one thing more. There have been a number of complaints that the President and his advisers this year recommended a civil pay increase but not a military. Why not?

Mr. SCHULTZE. In part this was because of the fact that last year there was a 10.8 percent military increase, compared to a 3.6 percent civilian pay increase.

Now, my understanding is that Mr. McNamara has reviewed this and has indicated—I believe I am correct on this—that he would not look with disfavor perhaps if Mr. Rivers went ahead with his announced intentions.

Mr. UDALL. Mr. Rivers has indicated to me and others that he intends to proceed and this might knock your careful budgetary calculations into a cocked hat if we add another half million into the things this year.

Mr. SCHULTZE. There have been a number of things indicated.

Mr. UDALL. The gentleman from Montana.

Mr. OLSEN. Thanks to the Bureau of the Budget Director, Mr. Schultze, for an excellent statement. Your department has always come up here with a well-documented position.

Tell me, what is the month of determination of 1965 comparability.

Mr. SCHULTZE. March.

Mr. OLSEN. And for what period are figures gathered for that March 1965 report?

Mr. SCHULTZE. Just the month; no, it is spread over the whole year.

Mr. OLSEN. It is spread over the year?

Mr. SCHULTZE. July to June. It is centered on March. July to June but centered on March, just as you have to average across grades you average across times. July to June and centered on March.

Mr. OLSEN. So it is July 1964 to June of 1965?

Mr. SCHULTZE. Correct.

Mr. OLSEN. And when do you get that report, that March 1965 report?

Mr. SCHULTZE. It actually varies. I don't think there is a specific date but it is late in the fall.

Mr. JONES. Yes; November.

Mr. SCHULTZE. Yes; late in the fall or early winter. I might point out, Mr. Olsen, that the business of just the mechanical and statistical problems; making sure the information is accurate; relating it to Federal salary grades, in a meaningful way; and getting a pay line which is meaningful in the concepts of the Federal salary reform act is no easy job. Of course, as you are aware, when you are collecting information on private salary rates, throughout the economy, they are first scattered all over the place. They don't cluster around a nice little point. Even when you average them for each grade you don't get a nice smooth line; they are scattered all over.

Hence, making determinations of how this survey information fits into the comparability principle is both difficult and time consuming.

Mr. OLSEN. I can understand that. I just wanted to learn how old your figures are, and whether, for instance, 1964 and the pay in private enterprise in 1964 influences this March 1965 report.

Mr. SCHULTZE. To some extent it does, sir.

Mr. OLSEN. The Bureau of Labor Statistics, of course, gives you statistics on that whole area?

Mr. SCHULTZE. Correct.

Mr. OLSEN. So it is quite correct to say that we are talking about comparability with March 1965. There is some influence from 1964 there?

Mr. SCHULTZE. There is, sir. But most of the data relate to 1965. Even when rates have been collected in the latter part of 1964 it does not necessarily follow that they would have to be higher in the first half of 1965. Rates usually stay in effect at least 12 months. So that rates set in, say, September 1964 would still be in effect in August 1965.

Mr. OLSEN. But now we are in March of 1966, so that we are lagging way far behind when we say comparability?

Mr. SCHULTZE. In that sense you are correct, sir.

Mr. OLSEN. Now, then, could you tell me with whom do you compare letter carriers in the private sector?

Mr. SCHULTZE. We do not, sir. Letter carriers in PFS–4, you will recall, were made comparable with the GS–5 when the 1962 Salary Reform Act was passed. At the end of World War II the salary range of PFS–4 was comparable, as I understand it, with the GS–4. But it is more comparable with GS–5, and in turn this regulates what the letter carrier linkage is.

Mr. OLSEN. So the letter carrier people are arbitrarily linked to clerical people rather than to anything in private enterprise?

Mr. SCHULTZE. Partly clerical; but very high level clerical. I might also point out that GS–5 is the grade at which we hire college graduates.

Mr. OLSEN. What I am getting at is that we don't consider letter carriers' work equal to that of skilled labor?

Mr. SCHULTZE. Well, rather to consider it equal to the occupations which go into GS–5, which are both clerical and lower level administrative and professional.

Mr. OLSEN. This is why I don't like this comparability, because we don't just limit to letter carriers, but letter carriers in post offices, and in Government who found themselves ahead of private enterprise back in 1940 and then came out of the war very much behind and have not caught up to the standard that they had in 1940.

Mr. SCHULTZE. Let me point out, if you will, some other aspects of this. This is not said at all critically or in an attempt to say that letter carriers are getting too much in any sense, but simply to give the other side of this.

In the first place, in 1962 the linkage between the PFS–4, the key grade here, was made to GS–5 rather than the previous GS–4 which was the case in 1945. The salaries of GS–4 and letter carriers were about the same then.

Secondly, the BLS survey, produces the average salary of people in the occupations surveyed, however long they have been there. We then link the private enterprise rate with step 4 in the Classification Act schedule, because step 4 is actually the average step in that schedule. On the other hand, the average letter carrier is in step 7 or 8. I believe it is 8. If you then make a comparison——

Mr. OLSEN. I think it is 7.

Mr. SCHULTZE. Well, I have it here, 7 or 8.

Mr. OLSEN. We will go ahead.

Mr. SCHULTZE. Step 8 is a 12 percent difference over step 4; that is what I am getting at. So that, for example, the current pay proposal would bring a step 4 letter carrier to 100 percent of the BLS survey linked in with the GS-5.

But the average letter carrier in step 7 or 8, whichever it is, will be 112 percent of that—I am sorry, 12 percent above it, or an index of 112. This is a partial offset.

The second offset was, again, you will recall, for those who were on the roles who were there in 1962, and an additional step was granted then which added another 3 percent or so for those who were in service then. In other words, everybody was moved up a step.

So that while some of the points you make are quite correct, it is offset by other factors which don't come into comparability as we see it on the other side. This is not said to indicate that the letter carriers are out of line on the other side, but there are some up factors which offset the down factors, if you will, as you have indicated.

Mr. OLSEN. Well, now, I just want to emphasize again, in your statement and your graphs, and everything, you are talking with respect to March of 1965?

Mr. SCHULTZE. That is correct, sir.

Mr. OLSEN. Now, do you have some idea, some professional opinion about how much of an increase has occurred in the private sector since that time?

Mr. SCHULTZE. Well, we have no knowledge of the specific movement in wages and salaries for the comparable occupations which go into the comparability survey. We just don't know. Obviously, we do have statistics on what happens to average wages for example. I don't have it for March, but for January 1965–January 1966, production workers in manufacturing, straight time wages went up 2.7 percent. The prior year they went up about 2.2 percent, compared with the 3.6 on the Federal level. The same has been true for the last 5 years, the rates have been somewhat less than 3 percent in straight time earnings in manufacturing.

Mr. OLSEN. I think he said that it had been about 3 percent every year?

Mr. SCHULTZE. I have the January–January in straight time manufacturing wages for the last 5 years. Let me submit this for the record.

From 1960 to 1961, 3 percent; 1961 to 1962, 2.9 percent; 1963 to 1964, 2.9 percent; 1964 to 1965, 2.2 percent; 1965 to 1966, 2.7 percent. So it has been running less than 3 percent on straight time basis.

Now, if you look at take-home pay, because overtime has been going up, it is more. But if you look at the straight time, they have essentially all risen something less than 3 percent; this relates to production workers in manufacturing who are not included in the comparability survey. Nevertheless, it is significantly less than the increases in the Federal salaries.

Mr. UDALL. Without objection the tabulation will be included in the record at this point.

(The table follows:)

Average hourly earnings (excluding overtime and interindustry shift), all manufacturing

Date	Index (1957–59=100)	Percent increase over year
January 1966	123.2	2.7
January 1965	120.0	2.2
January 1964	117.4	2.9
January 1963	114.1	2.1
January 1962	111.7	2.9
January 1961	108.6	3.0
January 1960	105.4	
1960–66		16.9

Source: Bureau of Labor Statistics.

Mr. UDALL. The gentleman's time has expired.

Mr. OLSEN. I would ask unanimous consent for 1 more minute.

Mr. UDALL. Without objection the gentleman is given 1 more minute.

Mr. OLSEN. In the private sector they don't include management, do they?

Mr. SCHULTZE. Basically, yes. It has never been spelled out with that degree of precision, but those do——

Mr. OLSEN. That is why I am wondering about whether you are including the management sector in the guideline sector here. You are holding them down to the average of 3.2; is that right?

Mr. SCHULTZE. Yes.

Mr. OLSEN. In that, you are affecting the lower paid people by the fact of giving management as much as 4½ percent?

Mr. SCHULTZE. The reason for this is essentially what goes into the guideline is the basic settlement. Now, in some industries and situations this will include a very large number of personnel up through very high grades. In other cases it will not. That is No. 1, so this is a kind of settlement.

Mr. OLSEN. You went all the way?

Mr. SCHULTZE. That is right. The 16, 17, and 18 level; the amounts we put in by the way for 16, 17, and 18 are so small that they don't, in terms of averaging out, have anything to do practically with the others. The second point in a lot of cases, the management salaries, again, up to maybe the top 20 people or 30 people in the company, are tied by company policy to the increases in the union contract. This has been prevelant in a number of cases.

Again, I can't tell you what percent, but it is prevalent in a number of cases, but, hence, the guideposts do affect the salaries of a number of managers.

Mr. UDALL. The gentleman's time has expired. We will get back.

Mr. OLSEN. Thank you.

Mr. UDALL. The gentleman from Alabama?

Mr. BUCHANAN. I would be glad to yield some of my time to the gentleman, if you would like.

Mr. OLSEN. No, I can wait for the next go-around. Thank you.

Mr. BUCHANAN. I would like to commend you, sir, for the work of the Bureau of the Budget, in general, in combating waste and inefficiency and other such evil things in this Government.

Also on your commitment you expressed the date of the principle of comparability, and your indication of willingness to cooperate with this committee in a review of the comparability principle and process. I think it would be very much in order.

One thing that troubles me, Mr. Schultze, is that while I certainly would concur in the necessity of holding down inflation in every reasonable way, and would not object generally to the 3.2-percent guideline, you have perfect control over Federal employees. You have very imperfect control over the rest of the economy. Consequently, it does trouble me somewhat that while it is possible to hold these Federal employees down—indeed, we doubtless will do so—it could result in a worsening of their relative position if other forces in the economy do nothing. It is my profound hope they will do so.

Another thing is this problem that everyone has, I think, mentioned already, the difficulty of reconciling guideposts or guidelines with establishing comparability and the need for proceeding with all deliberate speed toward achieving full comparability. I certainly hope that can come soon.

I would say, Mr. Chairman, and may I ask you, Mr. Schultze, while I commend the chairman's courage in this tax increase matter, and I say it sincerely, because it will require some, there is something that concerns me about this, too.

Mr. Schultze, I heard a man on television say—an economist—say this morning that the Government spending had no significant effect on the inflationary trend in this country. Would you say that was an accurate statement?

Mr. SCHULTZE. No, sir; that is No. 1. I would be interested to know who that "economist" was. I am sure they still exist like that, but I haven't met any for a while.

Mr. BUCHANAN. Well, he was a proponent of the Great Society——

Mr. SCHULTZE. Touché.

Mr. BUCHANAN. May I say that I am rather concerned. It seems to me, surely in your realm, you have seen that the Government can act like a tiger devouring everything in sight. It is entirely possible for our Congress, and all our agencies to spend everything we can raise and then considerably more.

What I am afraid of, that, with a tax increase, Mr. Chairman, we would simply have more money for this Government to spend in every direction, whereas if we leave the money in the hands of the people, they at least are saving and investing, unless I am mistaken, at a record rate right now. I am afraid that if we do achieve this tax increase that what we are going to find is we are going to spend even greater sums at home and abroad, and end up contributing more to inflation than we have taken from it. At least this is a conceivable result.

Mr. UDALL. Will the gentleman yield?

Mr. BUCHANAN. Yes.

Mr. UDALL. My suggestion in this connection: I supported deficit spending for the purposes of continuing this magnificent, unparalleled 5-year growth and prosperity without inflation. The other side of the coin is that when you have inflationary pressures, the Government takes more out of the economy than it puts in. Thus, the situation, in my judgment, clearly calls not only for a balanced budget, but

for a surplus in the budget which is not plowed back into additional expenditures.

Mr. BUCHANAN. Music to my ears. May I say, Mr. Schultze, again, thank you, sir, and note just one thing, that while on page 15, the chart there, does indicate substantial progress, not only in dollar terms for Federal employees—this PFS–4, is I assume a good example—it, not only in dollar terms, but in terms of personal power, goods and services, so far outstrips the index to Consumer Price Index. This is really substantial progress. There is no denying that. And I am glad the commitment is there to continue such progress.

However, in light of the fact that the manufacturing average hourly earnings did at the same time increase by 115.3 percent, the difference between the two in terms of rate of increase does not indicate necessarily that in 1947 the PFS–4 was substantially behind his counterpart in manufacturing. Is that not true?

Mr. SCHULTZE. I think that is true. How substantially I couldn't give you offhand. I think he was behind. This does show that there was a catch-up. Now the catch-up on our figures as of 1965 would just about have been made, but again it would be a legal point Mr. Olsen made. We are not in 1965, so the full catch-up to the current moment hasn't been made.

Mr. BUCHANAN. The thing I was talking about originally, if other forces in the economy are moving up even beyond the guidelines, it is going to be awfully hard to catch up.

Mr. SCHULTZE. May I make one comment if you don't mind my digressing for a moment on the guideposts?

You raised a very penetrating and important point that has been made a number of times. It turns out the Federal Government does have "control" over Federal wages and salaries. It doesn't over private. The implication is, isn't this unfair to us, this one area, to accomplish your anti-inflation goal? That is a legitimate concern.

Before I came on to this job I had sometimes a lot more fun pursuing some economic studies, one of which was an attempt to forecast what would happen to prices and wages under various economic conditions. This was based on studies of the economy between 1947 and 1961.

After massive manipulations of data on a computer I came up with a number of formulas, which would indicate that if the profits are such, unemployment is such and spending is such, such and such would happen to wages. Well it turns out that between 1962 and 1965, some of my colleagues, after I left, ran this formula and they found out it substantially overpredicted what would happen to wages and prices. In other words, that something had happened to make prices behave more responsively, if I can use a term relative to the economic conditions.

Now I can't sit here with a bald face and say this "something" is the guidepost. But at the same time it seems to me clear that the guideposts have had an impact in changing the relationship between price behavior and economic conditions so that we can get to a higher level of prosperity without as much price inflation as we had in the past. It doesn't mean you wouldn't get any at all, but substantially less. I think the guideposts were one among maybe others. Even though the guideposts don't impinge in any direct sense on the control they have been operative.

I would also point out if you would look at what has happened even in the last year, prices have not exceeded the guideposts.

Now this is not to say that they won't. But they have not. I think this is encouraging.

Mr. BUCHANAN. I certainly hope it will be—certainly in light of the military and private circumstances. Thank you.

Mr. UDALL. The gentleman from Hawaii.

Mr. MATSUNAGA. Thank you, Mr. Chairman.

Mr. Schultze, I realize that as you have stated the administration has given every due consideration for fair treatment of Federal employees. But then if, as you say, the central guiding principle is comparability, we find that labor in Hawaii as well as in the rest of the Nation has not been keeping within the guidepost of 3.2 percent, but averaging in excess of 4 percent, about 4.7 percent from the information we have been getting.

I might point out in this connection that the sugar unions in Hawaii just obtained a 46 cents per hour increase in pay. If our guideposts had been applied they would have gotten only 26 or 27 cents, which means that there are in excess of the guideposts. This, in spite of the fact that Hawaii today has the highest paid agricultural workers in the world.

Now, this situation, as I see it, calls for greater gap in comparability between private employees and Federal employees. A proposition was made at an earlier hearing that we do not include the gap catch-up within consideration of the guidepost and if as you say comparability is a central determining factor don't you feel that this has some merit, that we ought to apply the guidepost only after comparability has been attained, and publicly the President can say that this is not in violation of the guidepost really because the Federal employees have not caught up to full comparability and the guidepost applies only after they have attained comparability?

Mr. SCHULTZE. Could I make several comments on that?

In the first place, once you bring into the guidepost a—formal was the word I want—a formal set of criteria which would say that comparability with some other group, any movement which gets you comparability with another relevant group is outside the guidepost. As sure as I am sitting here there isn't a union leader in the country worth his salt who couldn't find for his union some other relevant group of employees whom he didn't have to catch up with.

My own view is that the quickest way to destroy comparability would be to get into this wretched business of saying, well, comparability applies only—I am sorry, guideposts apply only after you have comparability. Once you do that it is impossible.

Mr. MATSUNAGA. But our principle of comparability that we are speaking of here is comparability between private industry and Federal employees, not within private industry.

Mr. UDALL. Will the gentleman yield?

Mr. MATSUNAGA. Yes.

Mr. UDALL. I made a point in the debate last year, I don't have the language in front of me, but in the formal proclamation of the original guidepost there was some language permitting catch-up.

Mr. SCHULTZE. It isn't really catch-up, it has to do with employees who are grossly underpaid. It is a need basis, not a comparability exception, but it is in the cases of employees who are really very low

paid, where for straight equity and needs reasons there would be some argument for moving faster. This is an exception in the guidepost which you will find in the council's report but it is not in terms of comparability in this sense.

Let me make one other point, if I might, and it goes to an earlier part of your comment, Mr. Matsunaga. As to the fact of private employees outstripping the guideposts, now clearly there have been cases where this has happened. We just cited one.

But again I turn to the statistics on one major area of the economy at least, manufacturing, from January to January the straight increase in wages was about 2.7 percent, not 4-something. If you go to construction wages, they go on up more than that. If you go to retail wages, slightly more than the guidepost.

I didn't figure manufacturing as going beyond that. It is not for me to predict they won't, but it is not as a general rule, even though admittedly there have been a number of exceptions.

Mr. MATSUNAGA. These exceptions will continue so long as profits of corporations show as it has shown in the past years, to increase by as much as 60, 70 percent. So long as these profits are allowed to continue, labor is not going to sit still. It is going to demand a fair share of the profits.

So that the guideposts, as we have established, for Federal employees will mean nothing to them. They will continue to demand, unless we do something about having the corporations throw back into the Federal Treasury some of that enormous profit which they are making.

Would you care to comment on that?

Mr. SCHULTZE. First, 48 percent comes back now. Secondly, with the acceleration in the payment of corporate taxes just gotten through the Congress, an additional chunk will come back over the next 2 years as we speed up the collection.

Thirdly, as I indicated earlier, the major point to which the guidepost is addressed is not profits but prices. The other side is wages. If you look at industrial prices you will notice that while they have risen, they have risen very slightly compared to any prior experience of such prosperity.

So it is true that profits have risen, but by far the largest increase in profits has been due to an increase in volume, not to an increase in prices relative to wages.

Mr. OLSEN. Will the gentleman yield at that point?

Mr. MATSUNAGA. I yield.

Mr. OLSEN. You say an increase in volume. Are you talking about productivity?

Mr. SCHULTZE. No; just a straight increase in volume. In other words, with the same profit margin if you produce more you get a higher profit. The economy as a whole has been rising at about 5½ percent a year. In the industrial sector it has been rising at a somewhat faster rate over the past 3 or 4 years. If you put these 3 or 4 years together you have got something in the neighborhood of 15 or 20 percent margin. With higher volume you do, of course, get more absolute profit.

Now profit margins have also risen slightly, because higher volume tends not only to give greater output but more efficiency, you spread your overhead. You bring up an important point.

Mr. MATSUNAGA. As an economist, what would your opinion be relative to the effect on the economy if we should impose greater taxes, higher taxes on corporate profits at this point?

Mr. SCHULTZE. At this point, barring the question of whether we should or not, just what would be the effect? I think the effect would be presumably by some unknown amount to probably reduce corporate purchases of plant and equipment, probably reduce dividends. Those would be the two major factors involved. Both of these would operate with a lag. You won't see the effect for some period of time. How long a period of time I don't know, but it might be 6 months to a year.

Mr. MATSUNAGA. If you were to make a choice of letting profits go as they are, keep on rising, and more or less assume that corporate business will continue its investments for expansion of business, greater volume, and imposing heavier corporate taxes, with the assumption that a little more taxes won't hurt the corporations that they will continue to expand maybe. Which would be the wiser choice to make.

Mr. SCHULTZE. Well, I would say at the present time—well, let me back up a little bit, if I might. The——

Mr. UDALL. Before you do, the gentleman's time has expired. I am next but I yield the gentleman from Hawaii 2 minutes of my time. You may proceed.

Mr. SCHULTZE. I'll try to do this within 2 minutes. The 1967 budget, taking both the expenditures and the tax proposals, which has just come through the Congress, shifts. In other words, the taxes and restraints of expenditures is such as to shift in one period from a 6.9 billion cash deficit, to a small surplus—a $7 billion fiscal swing.

We will just be beginning to feel this, because we are getting a $6.9 billion deficit with Vietnam now, and the impact of taxes outside of Vietnam won't be seen for awhile. We are, therefore, already getting a fiscal movement, substantially a $7 billion restraint, if you will, on the economy from fiscal policy.

At the moment under conditions we know of right now—conditions may change, but at the moment I would not recommend further tax increase, either personal or corporate.

Now, as the President has indicated innumerable times, he is prepared to act almost immediately, if conditions in Vietnam or the inflationary situation should change. The Congress, at least, if the recent taxation is any evidence, is prepared to act very quickly, but I think we have to be careful not to jump into this too fast, because you have to take into account the fact that, in a sense, a large part of the worst impact of Vietnam expenditure and the order of increase you are feeling now, whereas the budget is going to be biting more heavily—exercising more restraint on the economy—as you go through time.

Mr. MATSUNAGA. Of course, in putting this question to you, I did not mean to infer that we have an immediate need for more money to bring Federal employees to comparability. This is a matter of future concern to us.

Mr. SCHULTZE. The response to that is I don't think we need to change our tax structures for that.

No. 2, apart from the fiscal impact of putting more money into the pay package, there is, of course, a guidepost problem of doing so. So I would not say that that would be an appropriate way to do this. You still have the guidepost impact.

Mr. MATSUNAGA. Taxes can always be repealed, too, as has been experienced this year. Even before the tax cut went into effect.

Mr. UDALL. The gentleman's time has expired. Mr. Schultze, I want to compliment you as one of the new breed of the profession. Your profession has been known at times as the dismal science, but people like you and Kermit Gordon have come before the people and explained some of these tools we have been trying to work, in the recent years.

I want to compliment you on your very lucid presentation. It was most interesting.

Mr. SCHULTZE. I might say, in response, I found one of the best explanations of what economics is about from one of your newsletters.

Mr. UDALL. Thank you, sir. One of the great problems raised here is this whole business of linkage.

Congressman Olsen brought out the fact that the postal clerk and the letter carrier are, in a sense, unique. Certainly they walk up and down the street and deliver things, which is a manual chore. But these people have to know 900 pages of regulations. They are public relations representatives of the Government. They touch every home in the country. In a sense, they are quite a specialized clerical and professional or subprofessional-type person. They have been related to the people in GS-5, somewhat arbitrarily.

There were some reasons for doing it this way, but one of the strongest points in Mr. Keating's testimony the other day was a table of national comparison of step 7 letter carriers, who 16 years ago, were slightly ahead of petroleum workers, glass furnace workers, and motor vehicle workers.

Sixteen years later we find that the step 7 letter carrier is about 13 to 15 percent behind these people, which calls into question the whole concept of linking them arbitrarily to GS-5. Mr. Keating brought an ad with him from Oakland, Calif., which showed that a streetsweeper can start at $490 a month. At the same time, the post office there is very desperately trying to get letter carriers for $431 a month.

Would you have any objections to this whole concept of linking the clerks and the carriers to GS-5 to see whether the passage of time has rendered this obsolete, and whether we ought to link them to something else?

Mr. SCHULTZE. Two points on that, Mr. Udall. As I have indicated, we are prepared to join with the committee in examination of the whole comparability problem. This obviously would be one of the things you would take a look at, one of many. But it would be one of the things you would take a look at.

I would also like to point out that that is one of the problems with comparability. You have to be fairly comprehensive in your examination of what rates you link to and what comparisons you make, because, of course, it is always possible to look at certain groups that will always be above Federal employees and other groups who will always be below. And reasonable men can argue about whether the higher or the lower group should be the one to make the link to, but you have to go across the board and examine it very carefully.

Let me again point out that, in the case of the carriers, there have been in the last 3 years substantial improvements in their salaries and salary schedules. You will recall, of course, that some time ago the

going to 12 steps made a major difference. The time between step increases was changed to give an advantage here. Again I am not arguing against that. I am saying that there are a number of things that have been done to take account of the things you have mentioned.

But, in the comparability review, you would want to review the whole thing.

Mr. UDALL. Precisely. You certainly won't object to reviewing, as part of the whole review, this concept of linkage and to whether we have acted properly in linking the PFS–4 people to the GS–5 people?

Mr. SCHULTZE. No, I would agree. That is one of the things you would want to look at.

Mr. UDALL. You won't prejudge?

Mr. MORRISON. Would the gentleman yield?

Mr. UDALL. I am going to yield the gentleman 10 minutes. I had one final comment. If you have something on this, go ahead.

Mr. MORRISON. While we are on comparability, I think we can unduly whip this horse named "comparability" all over the lot. It just depends on who has got the switch and who is chasing the horse at that particular time. I think that the matter of comparability depends upon where you are, and where you are looking to. One person's viewpoint of comparability can be different from a person's in another position.

The world situation that confronts us today, domestically and otherwise, both from the Government standpoint and from a business standpoint, makes a situation that is very difficult. Some would say it is almost impossible to deal with.

I think that these gentlemen have put forth a fine and sincere effort, as is humanly possible for any group of men to put forth with all the sincerity and dedication that they possess. Viewing the overall situation, what they had to work with, the circumstances under which they had to work, the recommendation that they have made and what they have put in the budget seems reasonable. Many other people maybe could arrive at a different conclusion and may have been on a solid foundation.

That is certainly a realistic and a sincere approach. Frankly, I think you have done a magnificent job.

Mr. SCHULTZE. Thank you, Mr. Morrison. May I make one comment?

Mr. UDALL. Yes.

Mr. SCHULTZE. I think this would be an appropriate time to point out that, as the gentlemen know, one of the requirements of the 1962 act is that we consult with employee organizations in making up our comparability report, and so on, and we did so this year.

I just wanted to point out that these gentlemen with whom we consulted did a magnificent job. They presented the views of their members extremely forcefully, extremely well. They didn't agree with us, but they couldn't have been more gentlemanly, and at the same time they couldn't have been more responsive in recognizing the problems that the President was faced with.

Now, obviously, this is a situation in which different points of view have to be brought out, but I think this is an appropriate time to say that all of these gentlemen have done a very good job in presenting very forcefully the views that their members had, and, at the same time, were appreciative of the problems that the President had.

Mr. MORRISON. You gave them that opportunity to state their full case?

Mr. SCHULTZE. That is correct, sir.

Mr. MORRISON. And to state what the responsible leaders of their organization felt was their position.

Now, they all had that opportunity, didn't they?

Mr. SCHULTZE. Right.

Mr. MORRISON. Was there any organization or any member representing an organization that asked counsel with you, that was refused?

Mr. SCHULTZE. Not that I know of. This was informally.

Mr. MORRISON. They had their "day in court" and had an opportunity to express their problems, as well as their views, and also their recommendations?

Mr. SCHULTZE. That is correct, sir.

Mr. MORRISON. You got a complete understanding of the situation that they faced and were aware of their side of the coin, by meeting with them and letting them have an opportunity to give their complete side of their picture as they saw it?

Mr. SCHULTZE. That is correct.

Mr. MORRISON. And no organization was refused an audience with you?

Mr. SCHULTZE. To my knowledge, none. I think we sent out 40 copies of the report, wasn't it?

Mr. JONES. Yes.

Mr. SCHULTZE. To various employees' groups asking for comments. Now, we obviously didn't see all 40, but we talked with a large number and didn't refuse anyone who asked. They were very fruitful. As I say, they earned their money. They did a good job.

Mr. UDALL. Will the gentleman yield?

Mr. MORRISON. I yield.

Mr. UDALL. I want to comment in conclusion that I think one of the most valuable aspects of your presentation here today is the defense of the comparability principle and your restatement of the administration's commitment to it, because it has been very disquieting for me to sit here and listen to testimony of the employee organizations for the past few weeks on this comparability principle.

We have something that I think is quite precious and a great step forward. When I first came to this committee, we argued each year about the cost of living and what other people were getting elsewhere and how much it took for workers to live, and so forth. There was really no standard. The standard might be need; it might be what someone else has; it might be political pressure, whether in an election year or not. But finally we got a standard that at least people could agree on and support, and it raised the level of these annual discussions several notches.

It was disquieting to me to have major organizations come in here and say that comparability is dead, and that we are going back into the swamp where we had been previously. I hope that we can, as I said earlier, save comparability. The best way to save it is to find the time as soon as possible when we get full comparability in every grade, then set up some machinery to keep it that way.

I wanted you to know of my concern. You have done a real service here today in a very forceful statement in perhaps saving this principle

and not leading workers to believe that it is dead, it is a phony, and it won't work.

Mr. MORRISON. Will the gentleman yield?

Mr. UDALL. The gentleman still has the time.

Mr. MORRISON. The extremely complicated nature of comparability is kind of like all the churches that we have. They all try to lead up to heaven, but some want you to take different roads.

All of us that have responsibility where matters of comparability are involved, all believe in the principle. It is just a question of what road you take.

I certainly want to commend the chairman for making the point here that comparability is very much alive. I hope to have a concerted effort to try to achieve the best degree of comparability that is humanly possible to achieve.

Like I say, I was in Congress a little over 23 years before this committee even was originated. I was on the Civil Service Committee, and we were wrestling with comparability then, trying to do so many things that comparability directly or indirectly affected. When the committee emerged, we kept on with comparability. I think it behooves all of us to continue. I certainly will argue with anyone from my standpoint. I think we have made progress. I don't think we have got the result we hope to obtain, but we have certainly made progress.

Mr. Chairman, I thank you for saying that it is not dead. The comparability horse is not dead.

Mr. UDALL. The chairman believes that the gentleman from Louisiana is probably more on the road to salvation than any member of this committee, but his time is expired and the Chair recognizes the gentleman from Montana.

Mr. OLSEN. I didn't bring the horse into this.

Mr. MORRISON. You know you have got a lot of them in Montana.

Mr. OLSEN. Yes, but I can't help but bring to mind this business of saying to the Federal employees, "Next time we will get comparability." But it is much like saying, "Live old horse, and you will eat corn." Keep that promise.

Mr. SCHULTZE. We do have the history of the horse having eaten corn. Maybe this year the corn isn't quite as much, but there has been a good bit of corn—$3 billion worth.

Mr. UDALL. In Brooklyn they used to have a slogan when the Dodgers would blow it in the last week, "Wait until next year," and the storekeeper had a big sign, "This is next year."

Mr. OLSEN. I wonder if you would address your remarks to the observation that at least one newsman has made, that heretofore the issues of pay and health and retirement have been separated. The employee groups had an opportunity to come in and get perhaps nore than one chance at achieving better working conditions, better pay. Why do you put it all in one package this year?

Mr. SCHULTZE. Partly a confession that emphasizes this year maybe we should have done it in prior years.

Mr. OLSEN. Is it an effort to hold them back? Is it an effort to have a more firm control over the Federal employees?

Mr. SCHULTZE. No, sir. The main point is that we think the relevant thing to look at is the total compensation of the Federal employee.

Mr. OLSEN. These retirement benefits aren't going to contribute to inflation?

Mr. SCHULTZE. No, but it depends when they are paid, obviously, when they are paid in the direct sense. Even there they need not contribute to inflation, if they are within appropriate bounds. But I think the major point here in the private sector of the economy, I think quite appropriately what we look at, and what more and more corporations are looking at, is the total compensation package.

Obviously, you have all kinds of operations involved as to how much total compensation should go into pay and how much in fringes. It is all pay.

Mr. OLSEN. I had the thought that, because retirement and health benefits are certainly deferred compensation, that they don't contribute to inflation, that we could at least make a genuine attempt to get comparability for Federal workers.

Mr. SCHULTZE. Well, the latest, admittedly out of date—but the latest complete survey we have on this—shows that fringe benefits as the percentage of pay, is almost precisely the same in the case of the Federal Government as with private employers. Now we are moving up.

Mr. OLSEN. I think one newsman said that, at times, public employees had had an opportunity to maybe get a little bit ahead of the private sector in the field of health and retirement.

Mr. SCHULTZE. In some aspects, they are ahead, and in some they are behind. On balance, it appears that they are about even. But all compensation enters into both the private sector and the public sector.

In terms of looking at an employee's benefits, both his paycheck and his fringe benefits, we think it only fair, both to us and to him, if they all be looked at together, because they are both costs to the Federal Government, just as they are both costs to the private employer, particularly in the case of the guidepost, for example—all costs go into that 3.2 percent.

Mr. OLSEN. But not management costs. You see, you have made two distinctions for your men; you have put management into the guidelines.

Mr. SCHULTZE. Well, as I say, the difference isn't anywhere near as great as might be indicated from the comment, I think. I indicated earlier, this runs way up the line into management. I admit it doesn't cover the top of the cream.

Mr. OLSEN. Now, is there any significance to the fact that the President's message doesn't mention insurance?

Mr. SCHULTZE. No special significance; no, sir. By that I mean that essentially what the President's message does mention are those aspects of retirement and other benefits which we are recommending.

Mr. OLSEN. He mentions health and retirement, but he didn't mention insurance, and I wondered if that was a nod to the Senate to go ahead and pass their insurance bill?

Mr. SCHULTZE. No, sir.

Mr. OLSEN. Is there any objection to the Senate insurance bill?

Mr. SCHULTZE. I would say at this time it would add on to the total package and we don't believe the total package should be increased.

Mr. OLSEN. Then do I take it that you do object?

Mr. SCHULTZE. Well, I said it backwards; but, yes, sir.

Mr. OLSEN. I have no more questions.

Mr. UDALL. The gentleman from Alabama is recognized.

Mr. BUCHANAN. Yes, sir; thank you, Mr. Chairman. I am intrigued with all of this talk of horses and heaven.

Mr. UDALL. The gentleman is an authority on both subjects, I understand.

Mr. BUCHANAN. I am reminded, Mr. Chairman, of the time when I was the principal speaker at the vacation Bible school commencement program of a certain rural Negro church in the South. The minister, a man rich in years, with gray hair, was a man filled with wisdom. I was riding on to the church and we passed all kinds of people getting out their fishing poles on that Sabbath afternoon, working in their yards, and doing all other things in violation to the Sabbath, according to the minister's outlook, and mine, for that matter. He looked at them and shook his head and said, "These people remind me of an old mule who is hitched to a grinding mule. That old mule thinks probably he is going to town, but he is not ever going to get there, because what he is hitched to isn't going to town. These people may think they are going to heaven, but they are not, because what they are hitched to isn't going to heaven.

I mention that because I think some of the employees' organizations feel the same way about the comparability principle at this point.

They feel they have been going around in circles with a donkey. But I would mention, seriously, that, although we may be taking as circular a route as some people are apparently taking to heaven, there seems to be in this testimony a continuing commitment to the principle.

I would join myself seriously to the remarks made by the chairman earlier as to the value of retaining the principle, and thanking you for your indication not only of commitment and of willingness to review, and I would like to add a word of appreciation to those employee organizations who have, as you indicated, recognized the problems involved here and been willing to go along with what is a disappointment to them and what they would like to see more generous in its provisions of pay legislation this year.

Finally, I would like to thank you, sir, for your very effective presentation this morning and, to those of us who have some concern about the continuing expansion of the Federal establishment and some of the directions it has been taking, it is reassuring to know that there is a highly able and effective man in the field.

Mr. OLSEN. Would the gentleman yield to me before he relinquishes his time?

Mr. BUCHANAN. Yes, sir; certainly.

Mr. OLSEN. I have just one question regarding this proposed joint undertaking.

Mr. SCHULTZE. Yes, sir?

Mr. OLSEN. I agree that it shouldn't occur until after we have disposed of this legislation that is before us, but I wonder if it would be possible and within your contemplation that we plan to have this joint undertaking immediately after this legislation is passed?

Mr. SCHULTZE. I see no reason why that won't be possible. That obviously depends on the committee's convenience.

Mr. OLSEN. Is it possible from the point of view of the Bureau of the Budget?

Mr. SCHULTZE. I see no reason why—I will answer it yes.

Mr. OLSEN. Thank you.

Mr. BUCHANAN. I think it would be appropriate that my time should close with us becoming joint undertakers.

Mr. SCHULTZE. I might suggest, Mr. Chairman, that, after this talk about religion, instead of having a conference on comparability that we might have an ecumenical council.

Mr. UDALL. The gentleman from Hawaii is recognized for his contribution to this discussion of theology and livestock.

Mr. MATSUNAGA. Upon the suggestion of the chairman, I am reminded of the story told by Bob Sykes the other night about a member of the Ku Klux Klan having gone into the next world and gone up to the pearly gates, and knocking at the gate, kept on knocking, no answer. Finally the answer came and a voice said, "Who dat?" And the Klansman said, "Oh, never mind."

Mr. Schultze, you make a very good argument for a case of applying varying percentages to the increase in salaries. But then you point out that, even if an increase of 3 percent at GS–18 were made, this would push their grade above the current $26,000 rate for executive level 5.

It has been proposed by representatives, at least one representative of the employee organizations that a 3.2 or 2.9 percent be applied across the board for an increase. What is your reaction to this?

Mr. SCHULTZE. My reaction would be essentially that, again, given the restraint of the total package, this would bring us further away rather than nearer to comparability, because it would skew the distribution further away from the comparability line than would be the case with the proposals the President is recommending. In other words, it would tend to give less pay increases in the areas we have recommended, where the gap is largest, and more in the area where the gap is small, less, or nonexistent.

Mr. MATSUNAGA. Isn't it true that, with the same percentage, the dollar increase at the higher levels would be much, much greater than at the lower levels?

Mr. SCHULTZE. This, of course, is true, but, if that is applied to its logical conclusion, then the basic salary structure would over the years just compress in terms of differential, necessarily.

Mr. MATSUNAGA. I am not such a strong believer in comparability as probably the chairman of the subcommittee is, because I feel that in private industry the lower levels are sorely underpaid, and if we try to gage our policies in accordance with private industry at the lower levels, I think we are making a mistake.

At the lower levels, I think the Federal Government ought to set the standard of comparability and let private industry come up to comparability with the Federal Government.

Mr. SCHULTZE. There is a large question of whether they would, and, secondly, of course, in terms of recruiting problems at the middle and upper grades, this gain applied over the years would place all sorts——

Mr. MATSUNAGA. Of course, we are having great problems, as I understand it, recruiting letter carriers and postal clerks at the lower levels.

Mr. SCHULTZE. I have no evidence of it. I have heard that it is the case in some places, but I have no specific evidence of it. I have heard that it is. I can't comment too knowledgeably on that. I think Mr. Murphy would be better to comment.

Mr. MATSUNAGA. But you would strongly object to the 2.9 percent increase across the board, or would you just mildly object?

Mr. SCHULTZE. I would strongly object. Let's put it this way: This is a matter of weighting objection. How do I weight this? Clearly, the most important central point from the President's standpoint with respect to his whole economic problem is keeping the package within the guidepost. It is clear that the package can be kept within the guidepost, if you have a straight flat wage increase.

In all honesty, that is the case, so that the principle, the strongest objection, would clearly be to breaking the guidepost.

I think, however, as far as the administration is concerned, we would also object to a flat increase in the sense that it does skew us away from comparability and establishes a principle which will make comparability even more difficult in the years ahead, if that principle is established.

Mr. MATSUNAGA. Thank you, Mr. Chairman.

Mr. UDALL. We thank you, Mr. Schultze and Mr. Jones, for a very helpful morning here. I think you have enlightened the committee.

The subcommittee will meet again next Friday morning in room 215 and we stand adjourned until 10 o'clock on that day.

(Whereupon, the hearing was adjourned until 10 a.m., Friday, March 18, 1966.)

FEDERAL SALARIES AND FRINGE BENEFITS

FRIDAY, MARCH 18, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMPENSATION OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 10 a.m., in room 215, Cannon Building, Hon. Morris K. Udall (chairman of the subcommittee) presiding.

Mr. UDALL. The subcommittee will come to order for further consideration of legislation relating to Federal salaries and fringe benefits.

This morning we have scheduled seven additional employee organization witnesses to present testimony. If necessary, the subcommittee will have an afternoon session to complete the testimony.

The Chair recognizes that each one of the witnesses represents a large and important organization and we will take whatever time is necessary for the witnesses to fully present their statements and for members of the subcommittee to ask questions and clarify matters raised in the testimony.

The first witness today is Mr. Vincent E. Jay, executive vice president of the Federal Professional Association, who is accompanied by Dr. W. Brooke Graves, president of that organization.

Dr. Graves is here at the special request of the chairman to accompany Mr. Jay and to give us the benefit of his wisdom and advice.

Mr. Jay, we are happy to have you. You may proceed.

STATEMENT OF VINCENT E. JAY, EXECUTIVE VICE PRESIDENT, FEDERAL PROFESSIONAL ASSOCIATION, ACCOMPANIED BY W. BROOKE GRAVES, PRESIDENT

Mr. GRAVES. Thank you, sir.

Mr. JAY. Thank you, Mr. Chairman.

Mr. Chairman, since we have a brief statement, I would like to read it into the record and then give an opportunity to Dr. Graves and perhaps myself to comment on various aspects of it.

Mr. UDALL. This will be entirely satisfactory.

Mr. JAY. Chairman Udall and members of the committee, my name is Vincent E. Jay.

I am executive vice president and legislative director, a volunteer officer, of the Federal Professional Association. I am employed by the Federal Water Pollution Control Administration, currently a constituent agency of the Department of Health, Education, and Welfare.

I am honored and pleased to have with me our distinguished president, Dr. W. Brooke Graves.

60-359—66——19

Dr. Graves is an internationally recognized authority on U.S. Government. He teaches as an adjunct professor at American University and is a career professional in the Legislative Reference Service of the Library of Congress. He has written extensively on State and local government and intergovernmental relationships. Dr. Graves and I are on annual leave.

Our consultant, the Honorable Robert Ramspeck, is in the South visiting relatives, so could not be with us today. As you know, Mr. Ramspeck served with distinction as chairman of the House Civil Service Committee and the U.S. Civil Service Commission. He continues to serve his country in many ways. I am happy to extend Bob's best wishes to all of you.

We appreciate the opportunity to testify before you on behalf of our members, who are managerial and professional employees in the Federal service, on the subject of compensation. We are particularly grateful to you for your wise and valiant efforts on behalf of comprehensive and just pay legislation in the first session of this Congress.

Each of you made significant contributions to the overall effort. Your constitutents back home, and the public in general, should applaud your conscientious and determined effort to design pay legislation that will promote efficiency, effectiveness, and excellence in Government.

Your work on compensation problems will literally determine the caliber of professional employees that the Federal service will be able to attract and retain.

Today, when the very future of our great Nation and the world rests upon the knowledge, ability, and morale of the professional staff of the Government, no duty requires more conscientious attention nor carries greater responsibility than yours.

It is in this context that we urge you to stand by the President and approve his request for a graduated percentage pay increase, as presented to you by the Honorable John W. Macy, Jr., Chairman of the U.S. Civil Service Commission, and others representing the administration.

That this proposal is only a modest step in the direction of reducing the comparability gap for the middle and upper grades is clear from the comparison table made available by Mr. Macy, which shows the ever-widening gaps, beginning at 8 percent for GS–9 and extending to 20.1 percent for GS–18.

Obviously, additional and substantial graduated increases will be needed in the upper grades to close the gaps. And it is important that we remember that it is in the middle and upper grades that the real problem of retention of quality manpower exists.

We trust that there will be a series of graduated percentage increases forthcoming from the White House and the Congress in the immediate years ahead in order to achieve full comparability for all Federal employees.

Because of the critical nature of the present gaps, we urge that the effective date of pay legislation now being considered be no later than the first pay period following enactment.

We desire, again, to urge adoption of the so-called Udall amendment. "The Joint Annual Report on Federal Statutory Salary Systems," submitted to the President by the Director of the Bureau of the Budget and Chairman Macy, states that—

Although GS-16, GS-17, and GS-18 rates trail further behind the comparability pay line rates than do rates at any other grades, they cannot now be appropriately adjusted without exceeding the current rates of higher executive levels.

The report goes on to say:

The problem can best be met by statutory creation of a new machinery for rationalized movement of executive, congressional, and judicial salaries in relation to the needed movement in the highest career salaries.

You favorably reported and the House passed the "Udall amendment" in the last Congress. If my memory serves me correctly, none of the Members of the Congress who supported this amendment and the pay increase for the Congress was defeated in the election that followed that enactment. In fact, one of the severest critics of the amendment and the pay increase was nearly defeated, and won by a very narrow margin after a recount.

We continue to support this principle, and postulate that it is now more vital to equitable pay adjustments than ever before. We urge you to increase the percentages allotted to GS-16 and above, adjust executive, congressional, and judicial salaries according to the President's graduated percentage formula, and implement the "Udall principle" machinery now.

Another recommendation we strongly endorse is the granting of authority to the President to review and adjust civil service pay annually, subject only to congressional disapproval.

This provision is important to upgrade congressional actions and status. Every chief executive in private enterprise has this authority, and most of them do not even require the approval of their directors.

We have heard the Congress referred to often as the "Board of Directors of the U.S. Government." We agree with this concept and urge the Members to take this opportunity to free themselves of minutiae. We strongly recommend that you divest yourselves of the mechanics of routine annual review and adjustment of civil service pay, while still retaining effective control over it, as an essential step in the direction of improving the efficiency and prestige of the Congress.

In summary, we highly commend you for your work on the difficult problem of proper pay in the Federal service, and we urge you to pass pay legislation which will provide—

1. A graduated percentage pay increase designed to reduce the comparability pay gap for all grades.
2. Presidential authority to review and adjust civil service pay annually, subject only to congressional disapproval.
3. Adoption of the Udall amendment principle establishing an automatic increase in executive, congressional, and judicial salaries at the time of, and in proportion to, increases approved in the highest civil service grades.

We wish you early success in the passage of equitable and just pay legislation for all Federal employees, for the welfare of the Nation.

Mr. UDALL. Thank you, Mr. Jay.

We will be happy to hear from you, Dr. Graves.

Mr. GRAVES. Mr. Chairman, I will make just a very brief statement.

Of course I endorse the proposals and the views expressed in the statement just presented by Mr. Jay, but I might add that my own association with the Federal service goes back something like 25 years.

I first came into the service at the beginning of World War II. There had not been at that time, for a number of years, any increase in the pay rates of Federal employees. Such an increase was long overdue.

The Congress responded during that war period to this need in a very satisfactory manner, as it has done in the last 2 years, and were aware of the problem and tried to do something about it, but the procedure then was the across-the-board increase for all grades, perfectly level arrangement.

Congress knew and we realized that this wasn't the way to do it, but we didn't know how to do it.

Now, in these past 25 years we have equipped ourselves with new tools and this comparability plan which has been enacted by the Congress and which has the full and complete backing of the administration, as well as of the great majority of Federal employees.

The point that I would make is simply this: That, at this stage of our development, it would be a tragic mistake to go back to the old, flat-rate, across-the-board increases in Federal salaries.

Mr. UDALL. I thank you for that comment.

Mr. JAY. Mr. Chairman, at the very beginning of the hearing this morning I was given some additional information that I think might be of significance.

Many of the members of your committee have asked in the past for specific examples. If I might read this into the minutes, sir——

Mr. UDALL. Proceed.

Mr. JAY. There are two parts to this.

One is taken from the College Placement Council, which includes the placement officers of 110 colleges and universities from coast to coast. They have compiled statistics for their survey of beginning salary offers. The following figures are taken from this report No. 2, dated March 1966.

The degrees are shown and I will just read the heading so that we can follow this proposal.

Mr. UDALL. The Chair would direct that the entire tabulation appear in the record of these hearings following your testimony and you can summarize it if you wish.

Mr. JAY. Fine. Thank you.

The summary shows that for a B.S. electrical engineer, the average industry offer is $668 a month. The Government top-of-the-class offer is $608 per month.

For the M.S. electrical engineer, it shows $804 as the industry average offer, $665 for the top-of-the-class Government offer.

For a Ph. D. electrical engineer, the average industry offer is $1,182. The Government offer for the top of the class is $885.

The second piece of information has to do with the recruitment experience at the Naval Ordnance Laboratory at White Oak, Md.

To fill approximately 50 billets from January 1 to March 11, the Laboratory made 140 offers. Twenty-three offers were declined almost immediately. There were total acceptances of 20, total unanswered 97, and their experience is that very few of the latter ever come through.

As of the same date of last year, 114 offers were made. In other words, it was not necessary to make as many offers. The declinations were 13, acceptances 17, and total unanswered 84.

The above shows that of all responses received, acceptances are presently running at 46 percent, as compared to 57 percent last year.

The cancellation of recruiting visits is also significant. Last year if four or more students signed up for an interview, a visit was made. Otherwise it was canceled. This year if as many as three students wished to be interviewed, the visit was made. Only if fewer than three students show interest is the visit canceled.

It is interesting to note that last year, eight recruiting visits were canceled. This year that number of calcellations was doubled because of student lack of interest in Federal employment.

(The information referred to follows:)

THE PROBLEM OF RECRUITMENT

The College Placement Council, which includes the placement officers of 110 colleges and universities from coast to coast, has compiled statistics for its Survey of Beginning Salary Offers. The following figures are taken from the College Placement Council Report No. 2, March 1966:

Degree and course	Industry average offer (per month)	Government top ¼ class offer (per month)
B.S., electrical engineer	$668	$608
B.S., mechanical engineer	661	608
M.S., electrical engineer	804	665
M.S., mechanical engineer	784	665
Ph. D., electrical engineer	1,182	885
Ph. D., mechanical engineer	1,116	885

U.S. Naval Ordnance Laboratory (White Oak) recruitment data as of March 11, 1966:

	Jan. 1, to Mar. 11, 1965	Jan. 1, to Mar. 11, 1966
Total offers	114	140
Total declinations	13	23
Total acceptances	17	20
Total unanswered	84	97
Recruiting visits canceled	8	16

The above shows that of all responses received, acceptances are presently 46 percent, as compared to 57 percent last year. Cancellation of recruiting visits is significant. Last year, if four or more students signed up for an interview a visit was made, otherwise it was canceled. This year, if as many as three students wish to interview, the visit is made; only if two or less students show interest is the visit canceled.

Mr. UDALL. Thank you, gentlemen. I would certainly like to commend you, Dr. Graves, and particularly you, Mr. Jay, for your efforts in trying to build a professional association of the kind you have.

I know there is a reluctance among the people of the kind you have in your organization to join what might appear to be a labor union, but your organization certainly has high professional standards.

It is in the best tradition of the doctors, the lawyers, the engineers, who have outside National, State, and local organizations, and if anything is ever to be done toward the goals that you seek, and these are goals that I support, it is only going to be through Federal employees in the managerial, professional ranks who are willing to

support organizations of your kind with their money, and their time, and their efforts. You have done a great service for the country and for the fine people in the middle and upper grades whom you represent, not only in your presence here today, but in many other effective efforts you have made that I am aware of.

Mr. JAY. Thank you, sir.

Mr. GRAVES. Thank you.

Mr. UDALL. With regard to your continuing support for the kind of automatic adjustments of congressional, legislative, executive, and, judicial top salaries, I hope that we will eventually achieve something of the kind that you advocate.

My own realistic judgment is that, until we have a little more bipartisan support for this appropriation, we are not going to achieve it.

Last year and the year before the ranking minority member of our committee, the gentleman from Pennsylvania, Mr. Corbett, the gentleman from Illinois, Mr. Derwinski, and others courageously and ably supported this principle. I have visited with the minority leaders of the House of Representatives and at the present time they are unwilling to make this a bipartisan effort. Nevertheless I still have hope that sometime in the near future we can have one last battle on this subject and permanently fix machinery which will adjust these upper grades and the top positions in the three branches of the Government, so let us not give up on this. There is hope.

Mr. JAY. Thank you, sir.

Mr. UDALL. It is apparent this year, with the budgetary situation and it being an election year, that there is very little hope for action of this kind, but I am not pessimistic about next year and the future.

I have one question on your statement. We have had considerable complaints here and I have received letters from middle and upper grade Federal employees protesting rather bitterly the proposal in this year's package to provide for involuntary retirement at age 55 with 30 years' service.

Has your organization taken a position on this proposal?

Mr. JAY. Sir, we testified with former Congressman Ramspeck representing us before the Cabinet Committee when it held its hearings on this subject and we opposed the 30-year retirement on principle both ways, whether the Government should have the option or whether the employee should have the option.

The Chairman of that committee, I think is Mr. Macy, asked Mr. Ramspeck what in his opinion was the purpose of a retirement system and Mr. Ramspeck replied that he felt that the primary purpose of a retirement system was to make it possible for someone who could no longer produce at the acceptable level of performance to retire; that this was the only purpose, as he saw it; that many people go on to the age of 70 or more and still are not anywhere near the retirement situation.

We subscribe to that theory, that concept, of retirement system and we see no reason why the Government should lose some of its very best people who will then leave Government after 30 years of service, maybe at age 55 or at age 60, and then go out to private industry and deny Government their services.

We think there is a great danger here of losing some of our most capable people.

Mr. UDALL. I appreciate your statement on this subject, although I am not entirely in agreement with it.

Mr. JAY. We recognize that it has to be a two-way street. Once the concept is accepted of 30-year retirement, age 55, it has to work both ways, I believe. I don't think it could be one way.

Mr. UDALL. Thank you.

The gentleman from Hawaii.

Mr. MATSUNAGA. No questions.

Mr. UDALL. Thank you, gentlemen.

We appreciate your appearance here this morning.

Mr. JAY. Thank you, sir.

Mr. UDALL. The next witness is Mr. Floyd Huffman, president of the National Rural Letter Carriers' Association, accompanied by Mr. John Emeigh, secretary.

Gentlemen, we are happy to have you.

STATEMENT OF FLOYD E. HUFFMAN, PRESIDENT, NATIONAL RURAL LETTER CARRIERS' ASSOCIATION, ACCOMPANIED BY CAREY W. HILLIARD, VICE PRESIDENT, AND JOHN W. EMEIGH, SECRETARY

Mr. HUFFMAN. Mr. Chairman, I am also accompanied this morning by our national vice president, Carey W. Hilliard.

Mr. UDALL. We are pleased to have him also.

Mr. HUFFMAN. We are pleased to have this opportunity to appear before this committee and discuss legislation under consideration. We appreciate the prompt scheduling of hearings by the chairman, Morris K. Udall and we are gratified that Chairman Dominick V. Daniels of the Subcommittee on Retirement, Insurance, and Health Benefits, and the members of that subcommittee are active participants in these hearings along with the members of the Subcommittee on Compensation.

We know the many days and hours of hearings that you have presided over.

The Salary Reform Act of 1962, Public Law 87–793, established for the first time a procedure which was intended to facilitate consideration and enactment of Federal salary legislation.

The comparability principle of that act mandated a responsibility to the administration to conduct the surveys, prepare the statistical data, and transmit recommendations to the Congress.

Hopefully, these recommendations were to propose changes in the salaries paid to Federal workers which would assure that those who labor for the U.S. Government would receive wages comparable to those employed in private industry.

The Bureau of Labor Statistics has conducted the annual surveys and the statistical data has been considered by the Bureau of the Budget and the Civil Service Commission. There is no need to burden this testimony with any of the BLS statistical data. These data are a matter of public record and have already been presented and discussed before this committee.

The procedures set forth in the 1962 act have c early brought to the attention of all concerned the fact that Federal salaries do lag behind those in the private sector of our economy.

Under the comparability principle, Federal employees logically assumed that the procedures set forth, and the BLS data which has been provided, would result in legislative action to grant increases to both keep them abreast of the continuing rise and to close the gap of approximately 2 years which now exists.

Many in the Congress and in the administration have proclaimed the value of comparability and pledged to uphold it in principle and in fact. For one reason or another, however, Federal employees each year have been advised that "this is not the year."

When salary legislation was under consideration last year, John W. Macy, Jr., Chairman of the Civil Service Commission, in discussing the President's proposal before this committee, stated:

> The proposal is not a catchup proposal in order to bring all of these schedules into line with comparability objectives. It is an interim adjustment. It is designed to offset the increases in the marketplace for private salaries between 1963 and 1964, as shown by the latest Bureau of Labor Statistics.

Now, 1 year later, Federal employees are again facing an "interim" adjustment. Once again "this is not the year." BLS data clearly disclose that Federal pay is lagging 2½ to 3 percent behind private industry rates as of March 1965.

This lag plus the estimated increase of at least 3 percent in private rates this year, would indicate that at least a 7-percent increase is necessary if pay comparability is to be achieved.

Members of this committee have recognized the justification for salary increases in line with the principle of comparability as obligated in the 1962 act. We very much appreciate the introduction of pay bills by Representatives Arnold Olsen, Dominick V. Daniels, Paul Krebs, James Hanley, and Glenn Cunningham, members of this committee, and others in the Congress who have introduced pay bills.

On behalf of our membership we thank these members for their interest and for sponsoring bills aimed at truly achieving comparability in pay for Federal workers. It is unfortunate that budgetary considerations, particularly in the light of the Nation's responsibilities in Vietnam, coupled with some very real inflationary trends, seem certain to prevent action this year to close the gap between Federal and private salaries.

We came here today to discuss pay in the hope that corrective action would be promptly taken to eliminate the present disparity. We recognize, however, that great strides have been made during recent years in the field of salary. We owe a tremendous vote of thanks to President Lyndon B. Johnson for both the personal interest he has taken and the constructive actions he has initiated in this field.

We are also grateful to this committee for the part they have played in previously approving and reporting legislation to accelerate the move toward comparability.

Addressing ourselves to the current salary proposals of the administration, we believe several factors should be given careful consideration.

Supplanting the comparability principle with the wage-price guidelines set by the Council of Economic Advisors, establishes a completely new set of rules and procedures.

The two basic methods appear to be mutually exclusive to each other and the effort to intermix the two gives rise to a bit of misunderstanding, if not outright confusion.

Comparability is based on the BLS statistical data relating private industry wage rates to those paid positions of similar rank within the Federal service. It has frequently been stated that no exact comparison is possible, but the formula followed since the enactment of the 1962 Salary Act has established a precedent for comparison which appeared to be working satisfactorily.

As we understand guidelines, it is a formula which ties wage increases to productivity. If comparability were achieved then the switch to the wage-price guidelines would be a far more convincing and valid move.

It is recognized that there is an approximate 2-year lag in bringing Federal pay rates up to those of private industry. The comparability data available at these hearings is that gathered for the calendar year 1964 and released by BLS in March 1965.

It is estimated that additional increases in private industry will approximate 3 percent per year. Information on recently negotiated wage contracts makes that estimate suspect.

Daniel L. Harbour, chief of the economic unit of the Bureau of National Affairs, speaking recently at an industrial relations conference sponsored by Chicago's Loyola University, predicted that the wage increases will average 9.5 cents per hour in all industries this year, 1 cent higher than the average in 1965.

We would point out that this prediction deals with wages only and does not include fringe benefits. And it might be worthy of note, Mr. Chairman, that in level 4, step 4, which seems to be the line of comparison for the large mass of employees in the Post Office Department, the 2.4 percent proposed increase for level 4 employees is 6.576 cents per hour, not the 9.5 cents.

The 2.85 average salary increase applied to step 4, level 4, is 7.8 cents per hour.

Despite these facts, the administration compensation proposal would grant a salary increase averaging 2.85 percent. This average increase is applied throughout the salary schedules in amounts ranging from 1 to 4.5 percent.

We can well appreciate the intent of this percentage spread, understanding that it is designed to grant higher increases to the upper grades where the comparability lag is alleged to be the greatest.

It is difficult, however, to rationalize that approach geared to comparability when, for all practical purposes, the pay recommendations are tied to the wage-price guidelines. If the purpose is not to disturb these guidelines, then it is difficult to rationalize that 4.5 percent in upper grades will not do so.

No one can question but that comparability is being shelved. If this is the case then it would seem far more realistic to at least effect the maximum increase within the range of the wage-price guidelines for the rank and file employees.

If the comparability distortions presently with us are not to be corrected, then surely consideration should be given to the dollar amounts involved. The wage earner in greatest need is the one in the lower levels of the salary scales.

The rising cost of living clearly indicates that it is the basic "bread and butter" items that are causing the wage earner's dollars to shrink.

Certainly if a sacrifice in salary dollars is to be made, it would be easier for the family where the breadwinner is currently enjoying an above average salary.

Additional dollars in paychecks for employees up to the middle grades would go for basic items of food, shelter, clothing, and the rising costs of other items of necessity. We believe this point should be carefully considered by this committee in approving and reporting the pay provisions of any bill.

Rural carriers, just as other Federal workers, take pride in playing the role of good citizens and dedicated, loyal employees. When sacrifices are necessary for the good of our Nation, for the protection of the American way of life, then we join with the public spirited throughout the Nation to make whatever contribution and/or sacrifice necessary.

If that contribution means restraint in an effort to stem the evil force of inflation, which in the long run is disastrous for all, then we endorse all restraints that are necessary.

We trust, however, that in the good judgment of this committee, and of the Congress as a whole, that fairness and equity in the matter of pay will be equated with the needs of restraint. We believe this could best be accomplished by effecting an across-the-board increase.

Mr. Chairman, although the 7 percent salary bills pending before this committee are unquestionably justified, it has been rather clearly indicated that this goal is unattainable in this session of Congress.

We urge the committee to carefully and seriously weigh all factors in making a determination of both the amount to be provided and the percentage applied throughout the salary schedules. We would hope that, in the good judgment of this committee, an amount higher than the 2.4 percent proposed by the administration for PFS level 4, the level to which rural carrier increases are equated, would be approved.

The members of the House Post Office and Civil Service Committee have demonstrated time and again that they have a serious, devoted interest in the welfare of rural carriers as well as all Federal employees.

We know the members of this committee fully appreciate the value and worth of the services rendered by Federal workers. We are also certain that the members of our association have an understanding of the problems which beset us as a nation, and we have a deep appreciation of the difficult and serious decisions which must be made by all Members of Congress as they exercise the awesome responsibility of serving the interests of all our citizens.

Immediate past history will show that the Congress has demonstrated concern for the pay, fringe benefits, and working conditions of Federal employees. We have no reason to believe that this interest is any less sincere today as the question of Federal pay is given consideration.

Whatever action is taken by this committee, and whatever salary increase may finally be approved by the Congress, will of course be accepted as a progressive move forward even though we may be traveling along the road toward comparability at something less than full speed.

If circumstances make it impractical to legislate the salary increases which we all know are fully justified to achieve comparability this year, then we do trust that pronouncements will be forthcoming to reaffirm the good faith and intent of the Congress to work toward that goal and achieve it as early as possible.

In closing these comments on pay, Mr. Chairman, we would like to comment on the administration's proposed effective date of January 1, 1967. There certainly would be no violation of the guidelines by an immediate effective date and, in our opinion, any increases approved should be effected promptly.

We recommend and urge the committee to provide an effective date no later than March 1, 1966, and, if I may now, I would like to ask our national secretary to comment briefly on fringe benefits.

Mr. UDALL. He may proceed.

Mr. EMEIGH. Mr. Chairman and members of the committee, first I want to state that we are very pleased that the President, in his message to the Congress, did make recommendations for improvements in the retirement and fringe benefit field. This is a part of the employment-benefit package which we believe should be improved as early as possible.

We submitted recommendations to the Cabinet Committee setting forth quite a number of liberalizations which we believe to be desirable and merited. The first recommendation, relative to civil service retirement, was that employees be granted the privilege of 30-year optional retirement on full annuity.

We are grateful that this long-expressed desire of Federal employees has finally won approval within the administration and that the President included this as one of his recommendations to the Congress.

We wholeheartedly endorse the recommendation for optional retirement at age 55 and urge this committee to provide this in any omnibus bill drafted and reported.

We also endorse and support the recommendation for a transfer-of-credits arrangement between social security and civil service retirement which would guarantee that retirement, disability, and survivor benefits would not be denied to those who die, become disabled, or leave Federal service before completing the 5 years of civilian service required to gain eligibility for benefits under civil service.

We also support the recommendation which would guarantee benefits at least equal to the benefits payable under the old-age and survivor disability insurance program to the social security system.

We made other recommendations to the Cabinet Committee which have not been proposed by the administration. Among them was the recommendation to grant a type of pay or retirement credit for unused sick leave at the time of retirement; another was to protect survivorship annuities in those cases where they are presently lost due to remarriage, and others.

As a part of this recommendation to the Cabinet Committee we also urged that the financial condition of the retirement fund be strengthened by a formula for increased contributions by the Government, designed first to recoup past losses due to the failure of the Government to make deposits; and, second, to provide a sound actuarial condition for the future by an improved method of financing, including an increase in contributions of employees, as necessary, to halt the increasing actuarial deficiency and to permit the liberalizations we recommend.

We still subscribe to the need for an improved financing. Whether or not the 0.5 percent being recommended by the administration is the proper amount rests with the good judgment of this committee.

Our membership, however, desires liberalizations in our retirement system and we are fully cognizant of the fact that the fund must be shored up by a more realistic funding procedure of its financial stability, even with present benefits, is to be maintained.

Under the administration proposal, the agencies of Government would also increase their contributions on an equal-share basis. We also endorse the proposal to vote appropriations for the retirement fund each time there are actions which would increase the liability of the retirement fund.

We were also grateful to note that the administration proposal gives recognition to the inadequacy of the present Government contribution to the cost of the Federal health insurance plans. This association has long urged that the Government's contribution be at least 50 percent of the premium costs.

Mr. Ewan Clague, then Commissioner, Bureau of Labor Statistics, presented data in hearings before this committee last year noting that one-fourth of the companies in the Bureau of Labor Statistics survey paid all the costs of health, accident, and life insurance plans, and that three-fourths of those with contributory plans paid more than half the costs.

The amount of the Government's contribution in the Federal health plans is currently tied to an amount not to exceed 50 percent of the lowest premium in the low option of one of the two Government wide plans.

Due to the fact that these low options are limited in many ways as to the dollar amount of benefits provided, they do not truly reflect the rising costs of health care. They cannot be compared to the high options which grant a type of open-end coverage—meaning the benefit structure is geared to assume both greater utilization by the insureds and the rising costs of health care incurred.

The low options, although they provide limited benefits, still appeal to approximately 15 percent of the enrolled insureds. Eighty-five percent of Federal employees have recognized the need for greater protection and have enrolled in the high options. The Government's contribution, however, remains tied to the low option formula and it completely fails to provide what we sincerely believe to be a fair sharing of costs in this important area of fringe benefits.

When the rural carrier benefit plan was established in July 1960, under the Federal Employees Health Benefits Act of 1959, the low option, self and family enrollment, reflected a 50 percent sharing of costs or $6.76 per month for both the employee and the Government. Today those enrolled in this option pay 54 percent of the premium cost with the Government's share shrinking to 46 percent.

The high option of the rural carrier benefit plan received a 35-percent contribution by the Government when it was established in July 1960. Today, after the necessary rate increases, this contribution has shrunk to 28 percent. The proposed increases, as submitted by the administration, will help restore the balance.

It will fall short, however, of restoring the initial ratio of cost sharing, since rising health costs, plus constantly increasing utilization, will almost certainly result in further rate increases.

The net result, even after the second year increase proposed by the administration, will leave the Government's contribution to the high options at a percentage less than set in 1960, when the program began.

A desirable, immediate change, leading to an equitable solution would be to prescribe a percentage contribution for the Government in lieu of any stated dollar amount, tied to nothing less than 50 percent of the cost of the lowest premium in one of the two high options in the Government-wide plans.

Mr. Chairman, we recommend that the committee draft legislation to provide a Government contribution to the cost of the Federal health plans based on a percentage figure. This would be in keeping with the pattern which is followed in private industry.

It is vital that some action be taken and the course we have recommended would provide a more permanent type of cost-sharing arrangement which would restore the ground lost since 1960 and which would establish a more equitable funding arrangement.

One major item was conspicuous by its absence in the administration's proposals on fringe benefits. Employees have repeatedly urged that the Federal Group Life Insurance Act be liberalized to improve the important coverage made available in this valuable area of protection.

This association has testified before the Subcommittee on Retirement, Insurance, and Health Benefits, and urged the committee to approve H.R. 11879, the bill introduced by the chairman of the subcommittee, Dominick V. Daniels of New Jersey.

It would increase the amount of life insurance by 50 percent, set the reduction at age 65 or retirement at 1 percent per month, instead of 2 percent per month as at present, set the maximum reduction to a floor of 50 percent of the value of the insurance at the time of retirement, and would increase the Government's contribution to 50 percent of the cost.

The provisions of the Daniel's bill would, unquestionably, upgrade the status of the Federal group life insurance program in a manner that would make it one of the most important fringe benefits made available to Federal workers.

This association in endorsing and urging approval of this legislation, advised the committee that rural carriers were quite willing to pay their fair share of the costs to provide the important liberalizations which we believe should be provided to perfect this program.

We are urging improvements on an equitable sharing of the costs.

It is inconceivable that improvements in the field of life insurance could be inflationary. It is hoped that the committee will incorporate provisions of the Daniel's bill, H.R. 11879, in any bill to be approved and reported.

Mr. Chairman, members of the committee, we again want to express our appreciation for this opportunity to appear before you and to place the views and recommendations of the National Rural Letter Carriers' Association in the record for consideration.

Mr. UDALL. Thank you, gentlemen, for this helpful and effective presentation here this morning.

The gentleman from North Carolina.

Mr. BROYHILL. I would just like to join the chairman in welcoming Mr. Huffman and his fine organization to the committee. He has always in the past been very helpful and his advice is always listened to with care in this committee.

Thank you for coming.

Mr. HUFFMAN. Thank you, Mr. Broyhill.

Mr. UDALL. The gentleman from Hawaii.

Mr. MATSUNAGA. Mr. Huffman, do you have any members in Hawaii?

Mr. HUFFMAN. We do have, Mr. Matsunaga.

Mr. MATSUNAGA. About how many?

Mr. HUFFMAN. Eleven members.

Our concern is that there are not more rural routes in Hawaii. We wish that you would take an active interest in that, and we have a corollary interest in organizing the State. There has been some debate over who would go to Hawaii to do that task.

Mr. MATSUNAGA. You mean you are all afraid to go?

Mr. HUFFMAN. We connot reach agreement on who will have that honor.

Mr. MATSUNAGA. You have 11 members, and your testimony will be forwarded to the 11 members, I take it.

Mr. HUFFMAN. They will receive it in our weekly magazine.

Mr. MATSUNAGA. Then I would appreciate your including my name after Mr. Daniels of New Jersey as having introduced the insurance bill.

Mr. EMEIGH. Mr. Matsunaga, we will be very pleased to do that.

Mr. MATSUNAGA. Mr. Huffman, I am thoroughly in agreement with you that we seem to be working with two inconsistent principles here, one the comparability principle, and the other the guideline called guideposts by the agency representative who appeared before us the day before yesterday.

I feel strongly, as you do, that the dollar amount is what is going to really mean something to those in the lower levels. If we have only a limited sum to distribute, at least an equal dollar amount should go to the ones who are really in need of that increased dollar income.

Mr. HUFFMAN. We appreciate your position.

Mr. MATSUNAGA. I would be happy to support your position.

No further questions.

Mr. UDALL. Thank you, gentlemen.

The next witness is Mr. Michael Cullen, president of the National Association of Special Delivery Messengers.

STATEMENT OF MICHAEL CULLEN, PRESIDENT, NATIONAL ASSOCIATION OF SPECIAL DELIVERY MESSENGERS

Mr. CULLEN. Good morning, Mr. Chairman.

Mr. Chairman and members of the committee, by way of identification, my name is Michael J. Cullen. I am president of the National Association of Special Delivery Messengers. We are affiliated with the American Federation of Labor-Congress of Industrial Organizations and have been accorded national exclusive recognition for our craft by the Post Office Department under Executive Order 10988.

We appreciate the opportunity to appear before this committee to present the views of our members on the proposed legislation on compensation and fringe benefits as presented by the representatives of the administration.

We are not going to take the time of this committee to beat the apparently dead horse of comparability. Testimony of representatives of other employee unions have substantiated a good case for a far greater increase than the 3.2 provided in the administration's package.

The evidence submitted by these witnesses demonstrated the fact that the concept of comparability is a will-of-the-wisp which the Federal and postal employees will never capture as long as proposals to eliminate the lag have a built-in sag of 20 to 24 months.

This committee has been told by administration witnesses that the Vietnam situation dictates guideposts of 3.2 for Federal and postal pay if the Nation is going to avoid inflation. This is somewhat better than the treatment received by our people during the Korean war when proposed salary legislation was vetoed because it would start another round of inflationary spirals.

However, we find the administration's testimony hard to reconcile with statements recently made by Secretary of the Treasury Henry H. Fowler in Detroit. He noted that during the Korean war the overall Federal budget rose from 15 to 20.7 of the gross national product.

In the 3 fiscal years 1965–67, he said, the proportion of expenditures to gross national product will rise negligibly from 14.9 to 15 percent.

Be that as it may, we recognize, as did several of the other employee unions, the limitations and pressures that are being exerted on all concerned to hold the line on the guidlines of 3.2 percent.

It is not our intention to unnecessarily embarrass the members of this committee or the other friends of Federal and postal employees in Congress by asking them to vigorously oppose what we honestly believe is an unfair restriction.

On the proposed "package" we feel that the 2.85-percent increase should apply across the board and should be effective on enactment rather than on January 1, 1967, as recommended.

We endorse the principle of extending the minimum of social security benefits to Federal or postal employees with limited service and to their survivors. This should also apply to employees who leave the Federal service by a transfer of credit to the social security system on an equitable basis to the employee involved.

Our members have long supported the idea of optional retirement at age 55 with 30 years of service. We are happy to see this as part of the "package."

However, we do not agree with the recommendation for the agency to have the right to exercise the option for employees in GS–13 and above.

The proposal to increase the Government's contribution to the cost of enrollment under the Federal Employees' Health Act is a step in the right direction. However, it doesn't go far enough. The Government should undertake to pay at least half the cost of this program.

Although the administration's proposal did not include a statement on improvements in the life insurance program, we believe that this subject has a place in any "package" that this subcommittee considers. We fully endorse the provisions of the Daniels and Matsunaga bills to increase the amount of insurance to 150 percent of salary leveled off to the next thousand dollars; to reduce the diminishing factor from 2 to 1 percent a month and to set the floor on diminution at 50 percent of the original value of the policy. We also agree that the Government should pay its fair share of this program.

There is a further item that we solicit your favorable consideration of. That is an adjustment in the automotive maintenance equip-

ment allowance for special delivery messengers or other postal employees who furnish their privately owned vehicles, on an as-needed basis, in the special delivery service.

This allowance, first provided for in 1945 in Public Law 134, called for payment of 0.06-cent per mile, or 75 cents an hour. In 1948, Public Law 900 increased this allowance to 7 cents a mile or 90 cents an hour. There has been no subsequent change in this allowance despite the increases in all costs related to ownership, maintenance, and operation of a motor vehicle. We feel that an increase to 10 cents a mile or $1.25 an hour is warranted as a matter of simple corrective justice.

Since privately owned vehicles are only used in the special delivery service to augment the Post Office fleet of vehicles and in emergencies when Post Office vehicles are not available, the cost of this increase would be minimal.

Last year the Post Office Department expended $800,000 for vehicle hire under the maintenance equipment allowance of $0.90 an hour. The requested adjustment would increase this expenditure by, $311,000. We trust that you will see fit to include this item in your draft of the pay bill.

Although my prepared statement doesn't include it, we would like to go on record as endorsing the principle of time and a half for substitutes over 8 hours a day and we would like to oppose the proposal that was made to extend the workday over a 15-hour span.

The Public Law 89-301 limited the workspan to 12 hours and we feel that changing this to a 15-hour period would be a step going backward.

In closing, we wish to thank this committee for its past interest and concern for the welfare of the Federal and postal employees, and we are confident that this same interest will be demonstrated in its final determination on this matter.

Mr. UDALL. Thank you, Mr. Cullen, for your useful statement and for your help to the subcommittee.

The Chair admired your fast footwork of changing the Daniels bill on page 2 to the Daniels-Matsunaga bill.

Mr. MATSUNAGA. That is what you call reading between the lines.

Mr. UDALL. I thought it showed commendable flexibility under stress.

How many members in your organization?

Mr. CULLEN. We have 2,000 members, sir.

Mr. UDALL. The gentleman from North Carolina.

Mr. BROYHILL. No questions, Mr. Chairman.

Mr. UDALL. The gentleman from Hawaii.

Mr. MATSUNAGA. Thank you, Mr. Chairman.

I, too, wish to commend you, Mr. Cullen, for your flexibility in reading your testimony.

How many members do you have in Hawaii?

Mr. CULLEN. We don't have any members in Hawaii.

Mr. MATSUNAGA. No members? That is your reason for the willing change in your prepared statement.

Mr. CULLEN. Anything you can do to help down there we would appreciate.

Mr. MATSUNAGA. We do have special delivery messengers.

Mr. CULLEN. They do have a few, sir.

Mr. MATSUNAGA. What organization do they belong to?

Mr. CULLEN. I believe if they belong to any organization they would belong to the National Association of Letter Carriers, although we have jurisdiction over them under the charter of the AFL–CIO.

Mr. MATSUNAGA. On the average you speak of the messenger using his own vehicle for delivery purposes. What compensation does the average messenger receive for this service?

Mr. CULLEN. It depends on the hours of use. In many post offices they use it on a standby basis. If there isn't a Government vehicle available they will use the messenger's vehicle at $0.90 an hour. If he uses it for a whole day he may use it for 6 hours of the day which would give him approximately $5.40. If he uses it for 2 hours it would be only $1.80.

In most instances it is on an as-needed basis. If a truck breaks down or they need the truck for other purposes the messenger uses his own vehicle.

Mr. MATSUNAGA. It is purely on a standby basis, not on a regular basis?

Mr. CULLEN. In most instances it is on a standby basis.

Mr. MATSUNAGA. No further questions.

Mr. UDALL. Thank you very much.

Our next witness is Mr. Ashby G. Smith, president of the National Alliance of Postal and Federal Employees.

Mr. Smith, would you identify for the record the gentlemen accompanying you and proceed.

STATEMENT OF ASHBY G. SMITH, PRESIDENT, NATIONAL ALLIANCE OF POSTAL AND FEDERAL EMPLOYEES, ACCOMPANIED BY WYATT WILLIAMS, NATIONAL VICE PRESIDENT, AND J. LEON HENDERSON, ADMINISTRATIVE ASSISTANT

Mr. SMITH. Chairman Udall, members of the subcommittee, my name is Ashby G. Smith. I am president of the National Alliance of Postal and Federal Employees, an industrially organized union of Federal employees with 110 branches in the Nation. On my left is my vice president, Mr. Wyatt Williams; administrative assistant, Mr. J. Leon Henderson is on my right.

We maintain offices in our own building at 1644 11th Street NW., Washington, D.C.

Mr. Chairman, on behalf of our more than 32,000 members, I wish to thank this committee for the opportunity you have given us to appear before you to give our views on Federal pay and benefit proposals now before you.

I would also like to express the appreciation of our members to this subcommittee, the full committee and the members of the House for the valiant effort expended in trying to get meaningful Federal employee salary legislation through the first session of this Congress. We are aware of the conditions under which you labored, conditions which led to the emasculation of a significant pay bill.

In 1965 we received pay provisions that were so patently inadequate that even their proponents apologized for supporting them. These provisions were admitted to be woefully inadequate, not only in terms of what the employees need and deserve, but also in terms of Congress and the administration's 1962 commitments to the principle of comparability.

60-359—66——20

Along with this 1965 salary bill we received promises that adequate adjustments would be made "next year."

Gentlemen of the committee, as we come before you today, this is "next year" and we are here asking for a redemption of last year's promissory note.

In the 1960 pay raise effort this union introduced, at a hearing of this committee, the concept that the pay received by Federal employees must bear some significant relationship to the growth of the Nation's economy and to the employees' contribution to that growth. We have not retreated from that position.

In our 1962 appearance before this committee we documented the manner in which the salary of the postal worker had deteriorated, vis-a-vis the salary and wages of other workers in our economy, between the years 1935–59.

We demonstrated the 1950–60 lag in postal salaries as against the increase in every significant economic indicator. During this period the gross national income increased 72.6 percent; gross national product, 76 percent; Nation's disposable income, 70.5 percent; and per capita consumption expenditure, 41.6 percent. At the same time the salary of postal employees advanced only 28 percent.

This means that during that decade the share of the Nation's goods which were within the reach of the postal employee was actually diminishing, his economic status in our society was being eroded.

This, as we pointed out, was occurring at a time when the value of the mail service to our national economy was increasing, when the mail volume was, to use a post-1960 term, escalating, when business mailing was becoming a vastly predominant part of total mailing, when population growth and the emergence of sprawling suburban areas created new complexities in the distribution and delivery of mail.

If this, in 1962, was the position of the postal employee, the classified employees of the Federal Government, enjoying only the after-benefits of the hard-won gains achieved by the postal unions, were in an even more pathetic condition.

As a result of our 1962 study, the National Alliance of Postal Employees embraced the principle of comparability proposed by a friendly administration and approved by a friendly Congress.

Taking cognizance of the years in which Federal salaries had deteriorated we recommend that for each of the years 1963 and 1964, salaries be increased by 7 percent, plus those years' accretion of industry's wage pattern changes.

This, we contended, would bring the Federal worker up to the starting line, even with our fellow workers in non-Federal jobs.

Given the advantage of the wisdom provided by hindsight we could see that the adoption of these proposals would have saved both of us from being in the embarrassing position that we are in in 1966, for this was our understanding of what comparability means. This is what it should be today, comparability not with what was but with what is.

We recognize the interim that occurs during the time figures are gathered, interpreted, tabulated, published, and legislation based on those figures, but if we are really serious about achieving comparability there is no reason why a projection of wage trends could not be made in determining today's salaries on the basis of day before yesterday's figures.

This same type of projection is made by the administration when a budget message is sent to Congress. Appropriation bills are passed based on a projection of this year's tax yield into next year's income from taxes.

Unless some projection of this sort is adopted we will, even in the absence of guidelines, be kept forever in the backwash of the Nation's economy.

When the principle of comparability was enacted into law in the 1962 pay reform bill, even though our 2-year "catch-up" proposal was rejected, we felt some sense of victory for here, we believed we had a rational principle, a workable program that would in 3, or at most 4 years, raise the Federal worker's status to a first-class citizen economically.

We felt that at last we had escaped the nebulous economic factors, the fuzzy budgetary considerations that had always cropped up in every pay bill session to thwart the legitimate needs of the Federal employee. We believed that every effort would be made to minimize the timelag. We were confident that in using salary scales on which to base our living wage our Government would take into account only those salaries that are above its own accepted poverty level.

We were naive.

If today we view comparability with some disenchantment, it is not because we are convinced that it is a less viable concept that we thought. It is only that we have discovered that in operation the concept can be delayed, perverted, and, if the occasion arises, ignored.

The picture we drew in our 1962 statement is not foreign to our present situation. After our first brave 1962 step in catching up with the economic growth of the Nation, the lag set in.

In 1965 this committee and this House of Congress courageously and wisely enacted a meaningful bill with hope for the future. The fate suffered by this bill from an adjourning Senate, faced with an administration edict, is history.

Out of the first session of this Congress came an inadequate salary bill and fervent promises that 1966 would be the year of justice.

Now in 1966, the Federal worker is again being urged to accept a token raise; to wait another year for his bonanza.

Nowhere is it better illustrated that justice delayed is justice denied. Even as the Federal employee awaits tomorrow's increase, he must buy in today's marketplace. With an adequate wage just a hope, his grocery bill mounts, the mortgage on his home must be paid, his babies are born, the decision as to whether his children can enter college must be made.

In a valiant attempt to meet these obligations, he diminishes his value to his Government on his primary job as he diverts strength and interest into a second job, or "moonlighting."

Although he is a citizen of and a servant of a nation that is enjoying its greatest period of prosperity, he is told that he may not share equitably in the growth of that prosperity lest justice to him would trigger a wave of inflation that will result in the collapse of our national economy.

Mr. Chairman, my economist friends tell me that the danger of inflation exists only when the increase in the productivity of the worker is less than the increase in his pay. On this basis, at least one large section of the Federal labor force—the postal employee—can document his case.

We draw from the Post Office Department's annual reports the figures that show a 17.3-percent increase in the number of pieces of mail handled between 1963–65. This increased load was handled by a work force that rose by only 1.3 percent. Even admitting the role that mechanization played in the increasing efficiency, we still see the 1965 postal worker as a much improved producer.

We have the word of this administration's Secretary of Treasury that the overall Federal budget in the 1965–67 fiscal years will rise only from 14.9 to 15 percent of our gross national product.

Speaking last Monday before the Economic Club of Detroit Secretary Fowler said, referring to the state of the national economy—

> it does not require drastic taxation, direct price and wage controls, and the disturbing paraphernalia of conversion to war that marked World War II and the Korean war.

In any case we reject the view that it is the Federal employees, this less than 4 percent of the Nation's work force, who must stand with their finger in the hole in the dike to prevent national inflation, while the remainder of the Nation's employees—the employers, interest drawers, coupon clippers, bonus collectors, and dividend dividers—continue to enjoy the fruits of our national growth.

In this era of voluntary adherence to arbitrarily assessed wage and price guidelines, we, the Federal employees, are denied even the privilege of volunteering.

We find ourselves in the position of the slowest of the speed law violators. When arrested, he points out that many motorists were going faster than he was only to be told by the policeman: "Yes, but you are the one I have caught."

Unless you of the committee approve and the Congress passes legislation that improves considerably upon the proposals of the administration, the Federal employees are the ones who, in 1966, are caught and we were not even speeding.

I forgo the citing of statistics. Figures galore have been placed in the records of this hearing, figures showing the growth of our gross national product, the increase in gross national income, charts showing profits after taxes that giant, and some not so giant, corporations are reaping, and graphs showing how Federal salaries are dropping below non-Federal salaries that they formerly surpassed.

The picture is one of an uncontrolled economy. In such an economy it is, in my opinion, unconscionable to insist that the income of the Federal employees be placed in a 3.2-percent-wage-plus-benefits straitjacket.

Many members of this subcommittee have shown an awareness of the justice of our position and we are grateful for the forward-looking bills which you and your colleagues have proposed. We refer to:

	Congressman		*Congressman*
H.R. 11879	Daniels	H.R. 12351	Clevenger
H.R. 12045	Matsunaga	H.R. 12489	Randall
H.R. 12094	Krebs	H.R. 12537	Olsen
H.R. 12129	Hanley	H.R. 12545	Udall
H.R. 12240	Olsen	H.R. 12600	Horton
H.R. 12288	Daniels	H.R. 12603	Kunkel
H.R. 12326	Helstoski	H.R. 12604	Kunkel
H.R. 12329	Krebs	H.R. 12838	Hanley
H.R. 12848	Ottinger	H.R. 13038	Andrews
H.R. 12924	Cunningham		

The proposals in the bills listed above constitute a sound approach to achieving the results which the Federal employees have a right to expect from the Pay Reform Act of 1962.

In the light of the foregoing analysis of the situation in which the 1966 Federal employee finds himself or herself, we submit the following proposals which, in justice to these employees, should be passed by this 2d session of the 89th Congress and signed into law by the President:

A salary raise that will achieve full 1966 comparability for employees at every level of both the classified and postal services. This raise, which figures indicate, should start at a minimum of 7 percent, should be retroactive to January 1, 1966.

Full time and a half pay for all time worked by both annual and hourly rate employees beyond 8 hours in 1 day or 40 hours in 1 week; also for all Sunday work.

Optional retirement at full pension after 30 years of service, regardless of age. Option to be exercised only by employee.

Extension of overtime pay to all civil service employees, regardless of levels.

Favorable consideration of H.R. 11879, H.R. 10245, and H.R. 12129 containing provisions liberalizing Federal employees' group life insurance. We propose that the Government pay half the cost of this program's premium. We further propose that Congress provide for the continuation of the present practice whereby Federal employee union officers on leave, retain their life insurance policies by returning to work 1 day of the year.

From Chairman Macy's statement of the administration's position, we approve the plan for improved financing and funding of the civil service retirement system. It is long overdue.

We cannot agree that the share of the employee's contribution to the retirement fund should be increased thereby diluting the already meager take-home pay increase proposed by the administration just because the Government, after years of no payments, now agrees to ante up.

We join with other unions in urging that this committee take a hard look at the manner in which the uniform allowance provision in the 1965 law is being administered and issue directives to nonconforming agencies.

Finally, because Congress has the responsibility for fixing salaries and wages for Federal employees, we respectfully suggest that, before abandoning the principle of comparability, a study be made to see if the salary criteria can be adjusted and the timelag shortened so as to make comparability an instrument of justice to the Federal employee instead of the torture chamber of frustration that it threatens to become.

Again we thank you for this opportunity to appear before you and express our views on the important issues with which your subcommittee has to deal.

We sincerely hope that this statement will assist you in your deliberations.

Mr. UDALL. Thank you, Mr. Smith.

The statement you have presented this morning is one of the most eloquent and interesting we have had. I don't know who your scriptwriter is, but whoever he is he deserves a raise in pay.

Many of the statements tend to be dull and formal. I thought yours was both readable and interesting to listen to, and the substance of your comments had a great deal of merit.

Your organization represents both postal employees and classified?

Mr. SMITH. That is correct.

Mr. UDALL. Mostly postal or mostly Federal?

Mr. SMITH. Predominantly postal. We only entered the rest of the Federal field in 1961; prior to that time we only had postal employees, so some 90 percent I would say are still postal employees.

Mr. UDALL. The gentleman from North Carolina.

Mr. BROYHILL. I just want to say I appreciate Mr. Smith, Mr. Williams, and Mr. Henderson coming before the committee.

Thank you for your testimony.

Mr. UDALL. Mr. Matsunaga.

Mr. MATSUNAGA. I, too, wish to join the chairman in commending you for a fine statement and I commend you also for the alertness of your organization, as witnessed by the list of bills you have recognized.

How many members do you have?

Mr. SMITH. How many members?

Mr. MATSUNAGA. Yes.

Mr. SMITH. 32,000.

Mr. MATSUNAGA. 32,000. And 90 percent of these are postal employees?

Mr. SMITH. That is correct.

Mr. MATSUNAGA. How many are in Hawaii?

Mr. SMITH. Unfortunately, we don't have any members in Hawaii.

Mr. MATSUNAGA. No one in your organization wants to go to Hawaii either?

Mr. SMITH. We are thinking about it, and in the recognition election we got a considerable number of votes for our union from Hawaii.

I don't know whether that is because they didn't know us, or because they knew more about us than we know, but we are interested in recruiting in Hawaii. I don't think we would have any trouble finding people to go there to organize.

Mr. MATSUNAGA. Thank you.

Mr. UDALL. Thank you, gentlemen.

The next witness is Mr. Everett Gibson, president of the National Federation of Post Office Motor Vehicle Employees, who is accompanied by Mr. Chester Parrish, the secretary-treasurer.

STATEMENT OF EVERETT GIBSON, PRESIDENT, NATIONAL FEDERATION OF POST OFFICE MOTOR VEHICLE EMPLOYEES, ACCOMPANIED BY CHESTER W. PARRISH, SECRETARY-TREASURER

Mr. GIBSON. Mr. Chairman and members of the committee, my name is Everett G. Gibson. I am president of the National Federation of Post Office Motor Vehicle Employees, AFL–CIO, and I am accompanied by Mr. Chester W. Parrish, our national secretary-treasurer.

We are affiliated with the American Federation of Labor and the Congress of Industrial Organizations, as well as the Government Employees' Council, AFL–CIO, with offices at 412 Fifth Street NW., Washington, D.C.

We have national exclusive recognition under Executive Order 10988, and are the sole bargaining representatives for all motor vehicle employees, under the terms of the national agreement with the Post Office Department. Our membership consists of garagement, automotive mechanics, technical mechanics (body-fender and painters), vehicle and tractor-trailer operators in the rank-and-file employees.

We also have locals consisting of only motor vehicle supervisors, who have local formal recognition and all of whom are employed in both the maintenance and operations divisions of our service.

Our personnel maintain all the maintenance on Government-owned vehicles of the Post Office Department and we haul all bulk mails to and from terminals, airports, and post offices.

We appreciate this opportunity to express our views on the pending legislation for salary increases and fringe benefits for Federal and postal employees. We endorse H.R. 12094 introduced by Congressman Paul J. Krebs, as well as similar bills introduced by other distinguished members of this committee.

H.R. 12094 and other bills provide a 7-percent increase and, in our opinion, can be justified.

The Federal Pay Reform Act of 1962 established comparability between postal and classified pay rates in the Federal service, and the national average pay rates of private enterprise for equal skills.

The membership of our union do have comparability with that of private industry such as "auto dealer repair shops" and "motortruck drivers," but we do not receive a like salary. We have made a comparison of outside industry, taken from Bulletin 1433 of the U.S. Department of Labor and Bureau of Labor Statistics, issued December 1964, which shows the average union hourly wage rates of motortruck drivers and helpers by nine regions of July 1, 1964, which indicates that our vehicle and tractor-trailer operators are behind in the pay of private industry.

The average hourly wages for truckdrivers in outside industry of July 1, 1964, was $3.14 per hour as compared to $2.93 an hour paid our tractor-trailer operators in PFS–5, step 4, or, an 8-percent lag behind outside industry, and I may quote here that this is after 4 years of service.

The U.S. Department of Labor, Bureau of Labor Statistics indicates that during the period of August, September, and October 1964, in 35 of our largest cities, the "auto dealer repair shops" disclosed that the rate paid their employees in like positions of our motor vehicle employees, was as illustrated below:

Employee	Outside industry	Post Office Department			Hour lag (cents)
		PFS	Step		
Body-fender mechanic	$3.56	6	4	$3.14	0.42
Auto mechanic	3.20	5	4	2.93	.27
Garageman	2.63	3	4	2.53	.10
Auto painter	3.22	5	4	2.93	.29

The comparisons listed above are wages reported for straight time hourly earnings (excluding premium pay for overtime and for work on weekends, holidays and late shifts).

If comparability is to be continued, the facts listed will show that we are justified in seeking at least a 7-percent increase as contained in H.R. 12094 and similar bills before this committee.

We have based our figures as taken from the report made by the Bureau of Labor Statistics of 1964. We are confident that additional increases have been granted outside industry since this 1964 report.

The Post Office Department is opposed to overtime for substitutes for work in excess of 8 hours in any given day. We urge that this committee consider the substitutes as equal to the regular employees and provide the overtime rate for all work performed in excess of 8 hours. We also endorse the overtime provisions for PFS levels through PFS–13 in the postal field service.

We would like to bring to your attention that the position of our vehicle operations analyst is PFS–7. These employees' responsibility and duties are comparable to that of a claims officer or an accident adjuster, whose salaries are far greater than that of a PFS–7 now paid our vehicle operations analyst and they should be placed in a PFS–8 level.

Our national convention has endorsed a 30-year retirement at age 55, with full annuities, but we are opposed to compulsory retirement of any employee at any PFS level.

We have our own health benefit plan and records indicate that 96 percent are participating in the high-option plan. We sincerely hope that this committee will enact legislation which will provide that the Government pay a 50-percent contribution toward all health benefit plans.

We appreciate Congressman Daniels' introduction of H.R. 11879 and Mr. Matsunaga's bill that would improve the Federal life insurance and sincerely hope that it will be enacted during this session of Congress.

We would recommend that the committee consider the many inequities created with the enactment of Public Law 68, and salary legislation of 1962 and 1964, and that language be inserted in the pending legislation which would correct these situations such as the language known as the Dulski amendment.

Public Law 89–301 provided a maximum uniform allowance of $125, based on the increased cost of uniforms to the employees. The Post Office Department has suggested that any increase in the present $100 allowance will be negotiated in the next national agreement.

It is our opinion that Congress intended that such increase be put into effect, and we sincerely hope that the committee will consider inserting language that would provide the $125 for uniform allowance so that it would not be necessary to negotiate an item which we feel was enacted into law and is contained in Public Law 89–301.

We also request that the uniform allowance be allowed the maintenance employees of the motor vehicle service, as these employees are performing their duties outside of the facilities, and which is the present practice of private industry.

In conclusion, we support H.R. 12094 that would provide a more realistic comparability increase to all Federal and postal employees.

We would also urge that the effective date be no later than the date of enactment by Congress at this session.

Thank you, Mr. Chairman, and members of the committee, for permitting us to present our views on the pending legislation. We are confident that a fair and just consideration will be given to the needs of all Federal and postal employees.

Mr. UDALL. Thank you, Mr. Gibson.

How many members in your organization?

Mr. GIBSON. Seven thousand five hundred, with eight in Hawaii.

Mr. UDALL. You anticipated my question. How many in Arizona?

Mr. GIBSON. We have two I think in Arizona, Phoenix and Tucson.

Mr. UDALL. Would any of your leaders be willing to go to Arizona on a recruiting mission, especially during the winter months. Do you think you can find a volunteer for that hazardous duty?

Mr. GIBSON. After a big hassle, I was permitted to go to Phoenix.

Mr. UDALL. The gentleman from North Carolina.

Mr. BROYHILL. No questions, Mr. Chairman.

Mr. UDALL. The gentleman from Hawaii.

Mr. MATSUNAGA. Thank you, Mr. Chairman.

I appreciate the anticipated question, Mr. Gibson.

Thank you, Mr. Chairman.

Mr. UDALL. Thank you, gentlemen. We appreciate your help this morning.

Our final witness this morning is Mr. Ross Messer, legislative representative of the National Association of Post Office & General Services Maintenance Employees.

You may proceed.

STATEMENT OF ROSS A. MESSER, LEGISLATIVE REPRESENTATIVE NATIONAL ASSOCIATION OF POST OFFICE & GENERAL SERVICES MAINTENANCE EMPLOYEES

Mr. MESSER. Thank you, Mr. Chairman and members of the committee, for the opportunity to appear before you today. I am Ross A. Messer, legislative representative of the National Association of Post Office & General Services Maintenance Employees, with headquarters at 724 Ninth Street NW., Washington, D.C.

This association is the national exclusive representative with the Post Office Department for all maintenance employees in the postal field service under a national election, held in 1962.

This association also has formal recognition with General Services Administration, representing maintenance employees in the Public Building Services of GSA. This association has members in the 50 States, Puerto Rico, Virgin Islands, and the District of Columbia.

It is a pleasure for us to have an opportunity to testify before this committee on the pending proposal affecting pay, retirement, and health insurance. We wish to extend our thanks to Chairman Udall for scheduling hearings on this most important subject. We also wish to thank the various members of this committee who have introduced bills to increase the pay of Federal employees.

This association has strongly supported the comparability principle, recommended by the late President John F. Kennedy, embodied in the Federal Salary Reform Act of 1962, and endorsed by President Johnson in his message to Congress in 1965.

However, it is our belief that the guidelines now proposed by the administration this year will replace the comparability principle set forth in the Salary Reform Act of 1962, unless Congress takes a hand in this situation and provides true comparability.

A few years ago, Congress approved legislation to make increases for wage board employees effective not later than 45 days after the date the survey was officially ordered—Public Law 85–872, approved September 2, 1958.

In order for Classification Act and postal field service employees to have true comparability, some such proposal must be given serious consideration by Congress.

Chairman Macy of the Civil Service Commission, in his testimony before this committee, stated:

> The adjustment proposed by the President would continue to maintain full comparability at grades up through GS–5, bringing those rates up to private enterprise salary levels most recently reported by the Bureau of Labor Statistics, in the survey report released in November 1965.

The report was released in November 1965, but is dated February–March 1965, which means that most of the material in the report, or the wage surveys conducted by the Bureau of Labor Statistics, was gathered during 1964 and this is now 1966, which means that, in our opinion, on January 1, 1967, the effective date proposed by the administration, the employees would receive comparable pay with private industry in 1964.

Mr. Chairman, this is not comparability in our opinion.

Many facts and figures have been presented to the committee to justify the need of a salary increase of at least 7 percent for postal and Federal employees. The cost-of-living increase and the change in living standards have affected the maintenance employees to the same extent it has affected other postal and Federal employees.

This association strongly endorses an increase of 7 percent for all employees, regardless of their grade level.

Mr. Chairman, it is our belief that the effective date of January 1, 1967, approved and recommended by the administration, is very unrealistic. It is our belief that in order to cut down on the lag between the date of the surveys by the Bureau of Labor Statistics and the effective date, and in order to provide some semblance of comparability, the effective date of the salary increase should be not later than March 1, 1966.

Last year, this committee and the House approved mandatory payment of overtime for the postal field service. The Postmaster General was granted the option of paying overtime up to level 10.

These provisions were eliminated from Public Law 89–301, when finally approved. Public Law 89–301 limited the payment of overtime to level 7 and below, with payments to 8 through 14 at the option of the Postmaster General.

It is our belief that all postal field service employees who are required to work overtime, either in excess of 8 hours a day, or Saturdays or Sundays, should be paid overtime pay for such work.

If the committee finds it necessary to place a limitation on the overtime pay in the postal field service, it is our belief that the limitation should be applied at grade 15 or above.

The administration is recommending a slight increase in the amount the Government pays on the premiums of the health insurance for the employees. It is our belief, and it has been our contention since the inception of the program, that the Government should pay one-half the cost of the premiums of health insurance. Many firms in private industry pay one-half or more of the cost. Quite a number of firms pay the entire cost.

This association endorses the recommendation of the administration that the employees be given an opportunity to retire on full annuity at age 55 with 30 years of service.

It is our belief that this is an option which should be with the employees and not with the Government. If the Government has the right to force retirement on certain employees on the completion of 30 years of service at age 55, it will be a deterrent to many employees to move into the higher levels, as they know they stand a chance of being automatically separated when, in the opinion of some officials, they have served their usefulness.

It is our belief that the Government having the option to retire the employees, will severely hinder the efficient and economical operation of the Government.

This association is opposed to the increase in the retirement deduction from the employees' salaries. It is our belief that the 6½ percent presently paid by the employees is sufficient to cover the cost of their portion of the annuity.

Mr. Chairman, it has always been the belief of this association that pay and fringe benefits should be separated. However, the administration has made strong recommendations for a package bill within the guidelines of 3.2 percent as established by the President.

In view of the administration's proposal for a package bill, it is our belief that the committee should give serious consideration to including in the package bill, the provisions of H.R. 10298 and H.R. 10299, overtime compensation during official travel; and the provisions of H.R. 11879, H.R. 12045 and H.R. 12129, identical bills, to amend the Federal Employees' Group Life Insurance Act of 1954.

Mr. Chairman, if we are to have a package bill, we see no reason why several items of vital importance to the postal and other Government employees should not be included in the bill.

The administration has recommended guidelines of 3.2 percent, which include an average salary increase of 2.85 percent, ranging from 1 percent in the lower grades to 4.5 percent in the upper grades, with the remainder of the guidelines being applied to fringe benefits.

The average 2.85 percent increase recommended by the administration would actually be reduced by one-half of 1 percent, the proposed increase in retirement deductions, thereby leaving an average increase of 2.35 percent. The 1 percent increase recommended in GS–1 and 2 would eventually wind up as an increase of one-half of 1 percent, due to the increase in the retirement deductions.

It is our belief that any increase granted should be applied equally to all grades or levels.

Mr. Chairman, the administration, while attempting to hold the postal and classified employees within the established guidelines of 3.2 percent is not applying this to all employees of the Government. Do not misunderstand me. We do not begrudge wage-board employees receiving the increases to which they are justly entitled.

However, it appears quite strange to us that the administration strongly recommends holding pay and fringe benefits for postal field service and Classification Act employees to the 3.2 percent, while some wage-board employees are receiving considerably more than this, in some instances, in pay alone.

I have attached to my statement, exhibit A and exhibit B, covering a portion of two monthly reports, January and February 1966, on the Army Air Force wage boards which set forth the percentage increase received by nonsupervisory employees, by leadermen employees and by supervisory employees.

A review of these reports indicates that in a number of cities, the 3.2 percent overall guidelines for wages and fringe benefits have been exceeded in percentage increases for wages only.

Mr. Chairman, I would like to ask that these two exhibits be included at the conclusion of my testimony.

Mr. UDALL. Without objection it is so ordered.

Mr. MESSER. Section 501, Public Law 68, 84th Congress, reproduced below, provides that employees entering the postal field service in any position not in a regional or district office, or in a professional or scientific position, shall enter in step 1 of the level.

(The information follows:)

TITLE V—GENERAL COMPENSATION RULES—APPOINTMENTS

SEC. 501. The Postmaster General may appoint any person who has been employed in a civilian capacity in any branch of the Government to any position in a regional or district office or to any professional or scientific position and may place such person in any step in the salary level of the postal field service schedule which is less than one full step above the highest basic salary which such person received from the United States.

Mr. MESSER. It is anticipated that in the near future, the Post Office Department will take over the operation of certain post office buildings now operated by the General Services Administration. This would require the Post Office to take over certain GSA employees who would be required to enter the postal field service as step 1 of the level to which assigned, thereby causing a loss in pay.

GSA regulations provide that when GSA takes over a post office building, the employees are taken over at the rate of pay they are receiving on the date of transfer.

A specific building in question has two employees, one receiving $2.65 per hour, the other $2.32 per hour. It is proposed to place these two GSA employees in PFS 2, step 1, $2.13 per hour, when they are transferred to the postal field service. One employee would take a reduction of 52 cents an hour, or $1,081.60 per year, while the other employee would take a reduction of 19 cents an hour, or $395.20 per year.

In addition to the loss in pay, it appears that the employee taking a reduction of more than $1,000 would also lose $1,000 life insurance.

Both employees would be adversely affected in pay and retirement.

It is our belief that the same saved-rate provisions should apply to GSA employees transferred to the postal field service as now applies to postal field service employees transferred to GSA through no fault of their own. The transfer of the employees to or from either agency is due to the transfer of the building from one agency to the other.

The two employees in question could be placed in steps of PFS–2 with very little, if any, loss in pay. However, the provisions of section 501 of Public Law 68 of the 84th Congress prohibit this.

It is respectfully requested that this committee give consideration to an amendment to section 501 of Public Law 68 of the 84th Congress, to provide that GSA employees who are transferred to the postal field service be placed in a step of the level nearest to the salary they are receiving on the date of transfer to the postal field service.

Mr. Chairman, it appears that the problem we are now confronted with under section 501, Public Law 68, 84th Congress, is going to be a continuing problem, as it is anticipated that several buildings will be transferred from the General Services Administration to the Postal Field Service within the next year or so.

By including an amendment in any pay bill reported by the committee, you would be providing protection for the employees when they are transferred due to the transfer of the building from GSA to the Post Office Department.

In closing, I would like to state that many people have a false impression of the maintenance service in the postal field service. The maintenance service is not composed of janitors and laborers alone.

The employees of the maintenance service are in PFS levels 1 through 15. It is true that the primary function of the maintenance service is the operation and maintenance of the post office buildings and mail-handling equipment. However, with the advent of automation, the maintenance service is a very vital part of the postal service.

The mechanics in the maintenance service maintain the most modern letter-sorting and canceling machines, as well as automatic elevators and some of the largest air-conditioning units in the United States.

I might add that this association represents all maintenance employees, both supervisory and nonsupervisory.

I wish to again take this opportunity, Mr. Chairman, to thank you and the members of your committee, for the opportunity to appear before you today.

(Exhibits A and B follow:)

EXHIBIT A

Memorandum for: Army-Air Force Wage Board Members, Division Chiefs DA, DCSPER, OCP Chief, Classification and Regulations Division, HQ USAF.

Subject: Monthly Report—Technical Staff, A–AFWB for January 1966.

1. Revised schedules were approved during the month of January 1966 for approximately 21,289 regular wage board employees of the Departments of the Army and Air Force in 16 labor market areas. In addition, the following special schedules were approved:

(*a*) Three laundry schedules. Review of one laundry schedule resulted in no change.

(*b*) Harbor boat schedule, Wilmington, N.C.

(*c*) Harbor boat schedule, Charleston, S.C.

2. Average increases in revised wage schedules are summarized below. The mean cent per hour increase and mean percentage increase, as well as the estimated number of employees affected, are shown:

Regular schedules

	Nonsupervisory schedule including—		Laundry schedule including—		Supervisory schedule including—		Approximate number of employees	
	Average hourly	Percent	Average hourly	Percent	Average hourly	Percent	Army	Air Force
Locality:								
Colorado Springs, Colo	$0.1115	4.34	$0.1215	4.30	$0.1577	4.42	602	1,364
Denver, Colo	.1000	3.29	.1100	3.59	.1338	3.48	776	912
LaJunta, Colo	.0831	3.24	.0915	3.25	.1251	3.53	7	0
Pueblo, Colo	.1138	4.28	.1254	4.28	.1638	4.45	2,146	0
Baltimore, Md	.1046	3.72	.1154	3.73	.1492	3.84	4,324	31
Rochester, N.Y	.1115	4.00	.1231	4.02	.1585	4.06	18	1
Wilmington, N.C	.0785	3.17	.0877	3.22	.1192	3.37	125	5
Youngstown-Warren, Ohio	.0985	3.42	.1085	3.42	.1646	4.15	47	148
Central Pennsylvania	[1] .0769	2.98	[1] .0816	2.98	.1292	3.64	6	0
Myrtle Beach, S.C	.0785	3.17	.0877	3.22	.1192	3.37	0	188
Fort Worth-Dallas, Tex	.0785	2.98	.0869	3.00	.1192	3.21	322	336
Salt Lake City-Ogden, Utah	.1008	3.59	.1108	3.58	.1377	3.56	2,570	5,673
Skull Valley, Utah	.1008	3.46	.1108	3.46	.1385	3.46	452	1
Radford, Va	.0600	2.49	.0669	2.53	.0746	2.19	35	7
Richmond-Petersburg, Va	.1000	3.83	.1100	3.83	.1431	3.84	1,031	0
Southern Virginia	.0785	3.35	.0838	3.25	.1069	3.12	155	7

[1] Increase at certain grades only.

EXHIBIT B

Memorandum for: Army-Air Force Wage Board Members, Division Chiefs, DA, DCSPER, OCP Chief, Classification and Regulations Division, HQ USAF.
Subject: Monthly Report—Technical Staff, A-AFWB for February 1966.

1. Revised schedules were approved during the month of February 1966 for approximately 7,161 regular wage board employees of the Departments of the Army and Air Force in 12 labor market areas. In addition, the following special schedules were approved:

(*a*) Review of one laundry schedule resulted in no change in nonsupervisory rates, but increased certain supervisory grade rates.
(*b*) Harbor boat and stake boat schedule—New York, N.Y.
(*c*) Auxiliary chaplains—Army and Air Force.
(*d*) West coast maritime schedule.
(*e*) Atlantic and Gulf coast marine schedule.
(*f*) Marine wage rate schedule—Fort MacArthur, Calif.

2. Average increases in revised wage schedules are summarized below. The mean cent per hour increase and mean percentage increase, as well as the estimated number of employees affected, are shown:

Regular schedules

	Nonsupervisory schedule including—		Laundry schedule including—		Supervisory schedule including—		Approximate number of employees	
	Average hourly	Percent	Average hourly	Percent	Average hourly	Percent	Army	Air Force
Locality:								
Wilmington, Del	$0.0808	2.87	$0.0869	2.81	$0.1346	3.44	76	778
Key West, Fla	.0554	2.08	.0600	2.05	.0731	1.93	35	0
Miami, Fla	.0554	2.05	.0600	2.02	.0731	1.91	129	258
Lansing, Mich	.0808	2.74	.0892	2.75	.1092	2.68	4	0
Western Michigan	.0823	2.87	.0892	2.83	.1115	2.83	28	49
Minneapolis-St. Paul, Minn	.1000	3.45	.1062	3.33	.1346	3.37	451	276
Atlantic City, N.J	.0754	2.87	.0831	2.88	.1046	2.84	2	0
Dover, N.J	.1077	3.97	.1192	4.00	.1608	4.28	2,483	0
Trenton, N.J	.0846	2.96	.0938	2.99	.1192	3.00	876	1,066
Buffalo, N.Y	.0977	3.38	.1077	3.38	.1415	3.54	366	152
Fredericksburg, Va	.1015	4.29	.1131	4.34	.1415	4.28	128	0
Clarksburg-Fairmont, W. Va	.0900	3.50	.0931	3.29	.1223	3.44	4	0

Mr. UDALL. Thank you, Mr. Messer.

The point you raised relating to the possible salary loss of employees who are transferred from GSA to the Post Office Department is one that also concerns me. I have instructed our staff director to prepare appropriate corrective language which the committee may wish to consider in drafting the bill.

Mr. MESSER. We are greatly concerned with this problem. In 1950, there were 93 buildings that went over to GSA; and since that time there has been a small number of buildings going over each year; but, so far as I know, this is the first building to return to the postal field service from GSA.

This building is in the process of being changed over at the present time. In July there is to be a big changeover, oue building will affect 120 employees. Within the next year there will be four large buildings under consideration to be brought back; so if we were able to take care of two employees immediately, we would be protecting several hundred employees in the future.

Mr. UDALL. Thank you.

We have had some complicated drafting problems in trying to get this entire proposed package put together in the form of a committee print bill, but I hope to have one available either late today or on Monday. It has always seemed important to me that we have actual legislative language before we close the hearing so that the various organizations concerned have an opportunity to examine it, to make suggestions, and to point out any defects as they see them. I hope that the various organizations who have testified here will obtain copies and review the first draft committee print.

Mr. MESSER. We would be very happy to review it.

Mr. UDALL. Mr. Broyhill.

Mr. BROYHILL. No questions, Mr. Chairman.

Mr. UDALL. Mr. Matsunaga.

Mr. MATSUNAGA. Thank you, Mr. Chairman.

Mr. Messer, when the transfer is made from GSA to the Post Office Department will the employees you speak of be doing the same type of work that they are now doing?

Mr. MESSER. Yes, sir; that is right.

Mr. MATSUNAGA. Then are you saying that GSA pays higher salaries for the same work that the Post Office Department does?

Mr. MESSER. Not necessarily. These men have been there for a number of years and they are entering the postal service as though they were new employees.

Mr. UDALL. It is the language in the present law relating to transfer of grade when you go from the postal field service to GSA or vice versa. It is the technical language in the present law.

Mr. MATSUNAGA. Rather than a difference in classification for the same type of work?

Mr. MESSER. That is right. One of the men would fit practically perfectly into step 4 of level 2, which would be a 3-year employee.

The other man would fit in step 9 of level 2, but under the present law only people in regional or district offices or technical people can be brought in at a comparable salary. Any other employee must come in in step 1 of the grade regardless of the number of years of service.

Mr. MATSUNAGA. I see.

I would think this would be in violation of the equal pay for equal work law.

Mr. UDALL. It certainly is and he has put his finger on a technical defect that should be corrected.

Mr. MATSUNAGA. Yes; that ought to be corrected and I would definitely support such an amendment.

Mr. MESSER. Thank you.

Mr. UDALL. Thank you, Mr. Messer.

The next meeting of the subcommittee will be Monday at 10 o'clock in this room and we stand adjourned until that time.

(Whereupon the hearing was adjourned until 10 a.m., Monday, March 21, 1966.)

FEDERAL SALARIES AND FRINGE BENEFITS

MONDAY, MARCH 21, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMPENSATION OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 10 a.m., in room 215, Cannon House Office Building, Hon. Morris K. Udall (chairman of the subcommittee) presiding.

Mr. MATSUNAGA (presiding). The meeting of the Subcommittee on Compensation will come to order. We will resume hearings on the compensation bill.

Our first witness is the president of the National Association of Post Office & Postal Transportation Service Mail Handlers, Watchmen, Messengers & Group Leaders, Mr. Harold McAvoy; accompanied by Mr. Andrew W. Carniato, who is chairman of the executive board.

Mr. McAvoy.

STATEMENT OF HAROLD McAVOY, NATIONAL PRESIDENT, NATIONAL ASSOCIATION OF POST OFFICE & POSTAL TRANSPORTATION SERVICE MAIL HANDLERS, WATCHMEN, MESSENGERS & GROUP LEADERS; ACCOMPANIED BY ANDREW W. CARNIATO, CHAIRMAN OF THE EXECUTIVE BOARD

Mr. McAVOY. Good morning, Mr. Chairman, Congressman Hanley. I am accompanied by our chairman of the board, Mr. Chairman, Mr. Andrew Carniato.

Mr. MATSUNAGA. Welcome to the committee, Mr. McAvoy. I must apologize for the small attendance here. The chairman had to go to the Supreme Court in order to sponsor a fellow Arizonan for admission to the Supreme Court. Mr. Daniels is in New Jersey and others are unavoidably delayed.

Mr. McAVOY. That is easily understood, Mr. Chairman.

Mr. MATSUNAGA. You may proceed, Mr. McAvoy.

Mr. McAVOY. Mr. Chairman and members of the committee, for the record my name is Harold McAvoy. I am national president of the above-named organization. We are part of the American Federation of Labor and Congress of Industrial Organizations and Government Employees Council. Our national offices are located at 501 13th Street NW., Washington, D.C.

At this time I would like to say "Thank you" for the privilege of appearing before you.

In order to conserve time, I would like to stress the need for early favorable action on a decent pay increase—7 percent—in line with

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true "comparability," as it pertains to our job assignments in the postal service with workers, in outside industry.

As outlined in the Federal Reform Act of 1962, I would like to quote:

(*a*) "There shall be equal pay for substantially equal work and pay distinctions shall be maintained in keeping with work performance distinctions;" and

(*b*) "Federal salary rates shall be comparable with private enterprise salary rates for the same levels of work."

It has been stated many times, that it is hard to compare job assignments in the postal service with jobs in outside industry. This may apply to other postal employees, but I honestly don't believe the statement can apply to employees in the mail handler craft, the craft that our national organization has won exclusive rights through a national election, to represent.

In line with the "comparability" feature of the Federal Reform Act of 1962, I would like to make one or two comparisons, between our job assignments in the postal service, and employees in outside industry; longshoremen, checkers, and teamsters, employees in the Department of Sanitation, New York City, the city, I come from, as an illustration.

The teamsters and longshoremen are close to the $4 an hour mark. The checkers, in transportation, are at the $4 mark. The department of sanitation employees are being paid over $7,000 per year. The teamsters load and unload, plus drive. The checkers verify the load. The longshoremen just load and unload and the employees in the sanitation department just empty garbage cans. No reflection. The above employees don't have to qualify through a civil service examination, before being assigned; as hour people must do, for mail handler craft assignments, in the postal service.

For your information and guidance, I would like to present our job description, as spelled out in Public Law 68. With your permission, I would like Mr. Carniato to continue.

Mr. MATSUNAGA. Without objection, it is so ordered.

Mr. CARNIATO. Thank you, Mr. Chairman.

Duties of mail handlers, level No. 3, position 8, Public Law 68: Basic function: Loads, unloads, and moves bulk mail, and performs other duties incidental to the movement and processing of mail.

Duties and responsibilities: (A) Unloads mail received by trucks. Separates all mail received by trucks and conveyors for subsequent dispatch to other conveying units, and separates and delivers working mails for delivery to distribution areas.

(B) Places empty sacks and pouches on racks, labels them where labels are prearranged or racks are plainly marked, dumps mail from sacks, cut ties, faces letter mail, carries mail to distributors for processing, places processed mail into sacks, removes filled sacks and pouches from racks, closes and locks same. Picks up sacks, pouches, and outside pieces, separates outgoing bulk mails for dispatch and loads mail onto trucks.

(C) Handles and sacks empty equipment, inspects empty equipment for mail content, restrings sacks.

(D) Cancels stamps on parcel post, operates canceling machines, carries mail from canceling machine to distribution cases.

(E) Assist in supply and sliprooms and operates addressograph, mimeograph, and similar machines.

(F) In addition, may perform any of the following duties:

(1) Acts as armed guard for valuable registry shipments and as watchman and guard around post office building.

(2) Makes occasional simple distribution of parcel post mail requiring no scheme knowledge.

(3) Operates electric forklift trucks.

(4) Rewraps soiled or broken parcels.

Organization relationships: Reports to a foreman or other designated supervisor.

In concluding our duties, I would like to add that our people separate the mail, and where the Post Office scheme is needed, we place the mail before the clerk. When the clerk has completed his work through his knowledge of the post office scheme, our people again take over the mail and follow through right into the motor vehicle truck.

Mr. McAvoy. Thank you, Mr. Carniato.

May I continue, Mr. Chairman?

Mr. Matsunaga. You may proceed.

Mr. McAvoy. About 30 years ago, a classification bill was enacted into law. This law gave all postal employees a $300 salary increase. Our mail handlers received $150. How this came about, I do not know, but ever since we have been striving to catch up.

At our last two national conventions, we went on record to ask Congress to consider elevating our people in pay level No. 3 to pay level No. 4. This resolution is our number one mandate, and our people would be grateful, if you the members of this committee would accept this mandate which would elevate our mail handlers from pay level No. 3 to pay level No. 4, which in our opinion is our proper place in the Post Office pay schedule.

I would like to ask at this time, after reading to you our job assignments on the work floor that the vast majority of our people must keep moving the mail in bulk. The weight of a mail-filled mailbag is 80 pounds. The majority of our people must work outdoors—transportation platforms and docks. They perform their 8-hour job assignments in all kinds of weather; rain, snow, and sometimes below zero weather in many States.

At this time, I would like to point out that our people must buy their own heavy clothing—safety shoes, rubbers, etc. I hope you will agree that our people find it mighty hard, just to survive. A work clothes allowance is long overdue. What you, Mr. Chairman, and the committee would be doing if included, is allow our people the same right as the Congress has extended to the letter carrier, motor vehicle, special delivery employee, and clerk.

Previous witnesses have stated that the proposed pay increase is inadequate.

I would like to point out that the previous representatives who testified—I am referring to the postal people—are one pay level above

our people, the clerk, and letter carrier are in pay level No. 4. Our people are in pay level No. 3, 90 percent of the 40,000 employees in the mail handler craft work in our large cities. It has been pointed out, to live for instance in Seattle, Wash., plus many cities, that one needs a salary of $6,900 or more for a family of four. Our starting salary is $4,780 and after 22 years we reach our maximum salary of $6,551. My question now is: Just how long will the Post Office Department be able to hire employees for our mail handler craft?

The Bureau of Labor Statistics answered a question pertaining to comparability. How do you make your comparisons? The Bureau answered, we do not use the title of the employee; we compare the work he does. I am in full accord with this procedure as it is the only way to come up with the true comparability.

Along the pay legislation path, over the years, I have heard that percentage pay increases are the only way to adjust pay schedules. If this is true, I would like to point out that at this time our pay level No. 3 mail handlers are $490 behind our pay level No. 4 people. If the administration's pay proposal was enacted into law, the present spread of $490 would still increase. It amazes our people when we hear about the small salary increase proposed for us, and as we go up the pay ladder we find that some people in higher pay levels will still go higher, and our people will just continue to exist.

Our people are not seeking membership in a golf club nor trying to buy the latest sport car. All we are striving for, pertaining to pay increase is to be able to put decent food on our table and be able to buy a pair of shoes for our children. We too, would fully appreciate being adopted into this so-called better life for everyone, the Great Society, instead of having to hold down two jobs.

The President recommended optional retirement following 30 years of postal service, at age 55 without reduction in annuity. Our people would have to pay an additional one-half percent of their salaries for this fringe benefit. The 30 year-age 55 is a giant step forward and our people fully endorse this step.

I would like to say I hope if the committee does report that particular part of the bill, that it is optional with the employee.

The recommendation to increase the administration's contribution to our health benefit program, is fully endorsed by our national organization. The recommendation, that the Civil Service Retirement Act be amended to guarantee that benefits be equal to those benefits which are paid by social security meets with our full approval. The first 5 years of service, transfer of credits to social security meets with our full approval.

In closing this tetimony, Mr. Chairman and members of this committee, I urge you to give serious consideration to our request for work clothes allowance, the elevation of our people from pay level No. 3 to pay level No. 4, true overtime for our regulars and substitutes after 8 hours of work. Both of these items are long past due, and that a 7-percent pay increase, for our people, which would allow them the right to live properly, instead of existing, by working two jobs.

Thank you, Mr. Chairman, for the privilege of appearing before you and the committee—I think we left out a couple of words, and giving you the serious thinking of our people. It is our honest opinion that the present administration's wage-price guidelines policies and

their one-sided emphasis on wage restraints and passing mention of prices is slowing up expenditures, so that the cash budget in fiscal 1967 will show a slight surplus. That the continuing talks of our economic leaders, for a hold-the-line approach, have helped project the issue, out of all relation to reality. Nearly all of our economists are in agreement that the total national production of goods and services will rise about $50 billion this year. This increase, according to our research people, in real terms will be close to 5.25 percent.

To the people who shout inflation the loudest, do this without consideration of the justice or equity of the problem or case. No one suffers more than the wage earner, or the salaried employee through inflation.

Thank you, Mr. Chairman.

Mr. CARNIATO. Thank you, Mr. Chairman.

Mr. MATSUNAGA. Thank you very much, Mr. McAvoy.

Any questions of the witness?

Mr. Hanley?

Mr. HANLEY. Thank you, Mr. Chairman.

Mr. McAvoy, I want to commend you on your very comprehensive statement here this morning. For the record, I am in total sympathy with those in the category which you represent. You touched on uniforms on page 4. I am led to believe that there isn't any provision for uniforms for mail handlers. Is this correct?

Mr. McAVOY. No. I may point out, Mr. Congressman, that everyone in the service has a uniform allowance. This is the way they present it. Employees, like the motor vehicle, letter carriers, and so forth, do meet the general public.

What we are striving for—for instance, you come from upstate New York, from Buffalo right through it is pretty cold. We are asking for the same consideration, not a dress uniform, but a clothes uniform, to keep us warm and keep the strength in the bodies of our people, when they have to work outdoors. We are the only people who are denied that privilege.

Mr. HANLEY. I look upon this as certainly a very positive inequity. I note that you are in accord with respect to the 30-year retirement. Do you care to comment with respect to the Government's option for involuntary retirement?

Mr. McAVOY. Congressman, like everything pertaining to living a long life, I know a lot of people who have found, just before retirement, that the world has been wonderful to them and after you are along the line, sickness or some heartache hits you and every nickel you have goes down the drain. My request would be to the committee, Mr. Chairman, to definitely leave it optional with the employee.

I understand that the thinking on the Hill is that it be sort of compulsory.

Mr. HANLEY. Then you would object to the involuntary aspect?

Mr. McAVOY. That is right. I would ask you to consider it be optional on the part of the employee.

Mr. HANLEY. Thank you. I have no further questions.

Mr. MATSUNAGA. Mr. Cunningham?

Mr. CUNNINGHAM. Thank you, Mr. Chairman. I am sorry I was a little late, but I didn't know you changed the meeting room and I went way over to the other one.

Mr. MATSUNAGA. I see. Well, I have done that on several occasions.

Mr. CUNNINGHAM. I have had the pleasure of knowing Mr. McAvoy for many years and have listened to him testify on numerous occasions and he is one of the very sincere persons, one of the most sincere persons I know of. He has a basic problem here. I have offered amendments to various bills, I don't know, for 3 or 4 years now, trying to bring this group of postal employees up to level 4. But they have never gotten anywhere. But, actually, their duties as outlined in his statement are so comparable to level 4 duties that I would hope that we could make this adjustment, Mr. Chairman, because I am convinced that it is warranted.

Mr. McAvoy, in going thhroug your statement hurriedly, I may have missed it, but did you refer to the administration's proposal on the pay bill?

Mr. McAVOY. Yes, Congressman Cunningham, we definitely are so amazed that—well it doesn't make sense. I am going back 30 years, Congressman, and I am trying hard, in representing our people, to even catch up to what beat us 30 years ago, and the 2.8, percentagewise, definitely keeps pushing us back, instead of going forward. Congressman Krebs and you have introduced bills for a 7-percent increase. If we are going to take a percentagewise salary increase, I would endorse your proposal along the line of 7 percent.

Mr. CUNNINGHAM. And along that line, if the administration's proposal is unshakeable, 3.2, would you favor, if we stick with that as a guideline, a straight across-the-board increase, rather than what we have?

Mr. McAVOY. Well, yes. It is so small, Congressman, it is hard for our people to accept one or the other, because we are so far behind and we have been striving for so many years to catch up, that 3.2 or 4 or 2.85, it is just like giving us a little lift. And that is what amazes me when they talk about guidelines and so forth, along the line. Guidelines to what?

Mr. CUNNINGHAM. There have been statements made by administrative people, as I recall it, and others that in the lower grades, we will say 1, 2, 3, and 4, we have reached comparability. That certainly is not an accurate statement, is it?

Mr. McAVOY. Congressman, I pointed out that we are the mail handlers in the postal service. We can compare our job with outside industry. I brought out the checkers, transportation people, the teamsters, department of sanitation people in New York, and up and down the line. And we are at least $1.50 per hour behind. So when they talk along these lines, I repeat, we are so far in the rear, striving hard to catch up, that it would take a lot, quite a bit, to definitely come even near the job as compared to outside industry employees.

Mr. CUNNINGHAM. OK. You are in level 3.

Mr. McAVOY. That is right.

Mr. CUNNINGHAM. With your knowledge of the other grades, would that cause you to say that levels 1 and 2 are also in that same position?

Mr. McAVOY. That is true; yes. There is a spread between 3 and 4 of $490. If we go into this again, it will definitely increase again, percentagewise. But definitely if anybody needs something to bring home, to put bread on the table, it is the postal employees 3 and 4.

Mr. CUNNINGHAM. Well, I thank you, Mr. McAvoy. As I said in the beginning, you do an excellent job of representing your people, and I hope someday there will be justice done to your group.

Mr. MCAVOY. I thank you, and I sincerely hope it comes shortly. We are desperate.

Mr. MATSUNAGA. Mr. McAvoy, I wish to commend you on your testimony. I am somewhat amazed at how we have neglected your group. About how many are involved?

Mr. MCAVOY. 40,000.

Mr. MATSUNAGA. Have you calculated the amount it would cost the Government if we changed your people from level 3 to level 4?

Mr. MCAVOY. No; but I believe the committee has the figures. I would be glad to get it for you, Congressman. I believe last year we tried again and we had the actual figures pertaining to it, so I would say the committee, Congressman Udall's committee would have it.

Mr. MATSUNAGA. Do you have an approximate figure from last year?

Mr. MCAVOY. No.

Mr. MATSUNAGA. Then would you know what the percentage increase would be on the average for your workers if we were to increase the level from 3 to 4?

Mr. MCAVOY. Well, no. I am not in a position now to comment on that.

Mr. MATSUNAGA. I am somewhat amazed, too, that you don't get any uniform allowance. How did this happen?

Mr. MCAVOY. Well, I don't know, again, Congressman, as I stated to Congressman Cunningham, we are so far behind that anything we get, we are grateful for. But it takes so long to catch up with the other people. For instance, right in the Postal Service everyone has a uniform, and I say why? Because they meet the public?

Now our people are in all of the large cities. We have tried to get a workclothes allowance for them for one reason, to keep them alive.

Mr. MATSUNAGA. Do your men meet the public at all?

Mr. MCAVOY. Well, yes, they are in transportation, at the water front and so forth. But I mean actually in the sense of representatives of the Postal Service as a whole, no, I would say not, because we move the mail in bulk, 80 pounds or more. So we wouldn't be the proper people to meet the general public.

Mr. MATSUNAGA. And you say as compared to private industry the people you represent fall on the average about $1.50 per hour below private industry?

Mr. MCAVOY. That is right. For that matter, I think our people do a far better job along the line in a sense, because the checker just checks. We separate, which is the same work.

Now in the sense of moving the mail, we move 80 pounds or more. Now this is what the teamsters or longshoremen do; they move in bulk.

Mr. MATSUNAGA. What is the turnover within these groups of workers in the Postal Service?

Mr. MCAVOY. I don't know. I see Bill Gulledge there. What is the turnover of mail handlers, do you know?

Mr. GULLEDGE. I don't know.

Mr. CARNIATO. I would like to say during the last longshoremen's strike, I had the opportunity to work on the waterfront in Brooklyn with 40 to 50 mail handlers. While the longshoremen were on strike, to increase their hourly rate, and then I think it was $4.40 an hour, the mail handlers were doing the same work, loading post office trucks and U.S. trucking trucks, bringing them into Morgan, the big international and next in New York City. We were doing it for the minimum wage.

We were called scabs, Mr. Congressman, but we had to move the mail.

Mr. MATSUNAGA. I think you could make your case stronger if you could come before us and say it is impossible to recruit mail handlers.

Mr. CARNIATO. In large cities, it is, Mr. Congressman.

Mr. McAVOY. This is the answer, Congressman. Our wives work or we have two jobs. The only way we can continue. But we are hoping for a break or for some consideration along those lines. But we do have two jobs, either the wife works or the individual mail handler has two jobs.

Mr. MATSUNAGA. Well, you have not only my sympathy, but, I assure you, my support. I will do whatever I can to see that you are given some consideration at least in these two areas.

Mr. McAVOY. Thank you very much, Congressman.

Mr. UDALL (presiding). Thank you Mr. McAvoy. I apologize for my tardiness this morning. I had a conflicting engagement.

From what I have heard since I came in, I gather you are for the pay raise for your people and you consider the administration proposal inadequate?

Mr. McAVOY. That is correct, Mr. Congressman.

Mr. UDALL. We appreciate the help you have given the committee and I want to join the others who have expressed an admiration for the very aggressive way you represent your people.

Mr. McAVOY. Thank you, Mr. Chairman.

Mr. UDALL. We have a statement from Mr. Hayvis Woolf, chairman of the Committee on Administrative Agencies of the American Optometric Association, which without objection will be made a part of the record.

(The statement is as follows:)

STATEMENT OF HAYVIS WOOLF, O.D., CHAIRMAN OF THE COMMITTEE ON ADMINISTRATIVE AGENCIES OF THE AMERICAN OPTOMETRIC ASSOCIATION

Mr. Chairman and members of the subcommittee, my name is Hayvis Woolf. I am an optometrist, practicing my profession at 575 Pontiac Avenue, Cranston, R.I.

In 1939, I graduated from the Massachusetts College of Optometry. For 5 years, during World War II, I served with the Army and Army Air Force, starting as a private and being separated as a first lieutenant. At the present time, I am a ready reservist with the rank of lieutenant colonel as an optometrist with the Army Medical Service Corps, attached to the 455th General Hospital in Warwick, R.I.

I also served my city as director of public welfare in Cranston.

The American Optometric Association is composed of an affiliation of 50 State associations and one in the District of Columbia. There are some 17,000 practicing optometrists in the United States, and more than two-thirds of this number are members of our association.

About a year ago, our Washington office was afforded an opportunity by Mr. Kermit Gordon, Director of the Budget, to present our views to the special panel reviewing the present Federal pay situation for civil service optometrists. This we did, but thus far we have not realized any positive results.

Optometrists, according to known statistics, provide more than two-thirds of the vision care of the civilian population of our Nation. There are some 450 optometrists on active duty at the present time with the Armed Forces, who hold ranks from second lieutenant to colonel in the Army, from ensign to captain in the Navy and from second liuetenant to lieutenant colonel in the Air Force. On the other hand, there are only approximately 50 optometrists employed by the Federal Government in other bureaus and departments under civil service. This is in no small measure due to the inadequate pay which is offered and received by optometrists and the increases suggested in H.R. 12288 fall far short of correcting this inadequate situation.

H.R. 12288 would provide an annual starting salary in grade 7 of $6,708 and at the end of 10 years a salary of $8,697. The comparable figures for grade 8 are, 1st year, $7,349; 10th year, $9.545.00. Grade 9, 1st year, $8,002; 10th year, $10,450, and grade 11 1st year, $9,588; 10th year, $12,531. These salaries are before deducting income taxes.

The American Optometric Association maintains a placement service for graduates of our schools and colleges of optometry. Statistics on file reveals that when graduates are employed by private industry working in the field of industrial vision, they are paid starting salaries of $10,000 to $12,000 a year, which is definitely higher than the starting salaries provided by the bill being considered for civil service ratings of GS–11 and GS–12.

Permit me to call to your attention some recent advertisements which appeared in the Optometric Weekly, a magazine for the profession published by the Professional Press in Chicago, Ill. They illustrate the opportunities which are currently available to licensed optometrists:

For example "Wanted: Indiana licensed optometrist for association in growing optometric practice. Diversified functions; $15,000 beginning salary plus profit sharing. Other fringe benefits * * *."

"Wanted: Indiana optometrist. Earn $20,000 in optometric practice. Refracting, general duties and management * * *."

"Wanted: Texas licensed optometrist. Work only 48 weeks each year; 5½ days. Two weeks off in December and 2 weeks off in May. Earn $11,500 minimum to start with potential of more than $12,000. Moving expenses paid * * *."

And they go on and on and on.

Recently, the Army sent a communication to the optometric organizations in the 50 States and the District of Columbia seeking to augment the optometrists who are on active duty as commissioned officers in its Medical Service Corps. The poor response to the Army's request for civilian optometrists to fill civil service optometry positions is obviously directly related to the low rate of remuneration in grades 7 and 9. The commissioned personnel hold ranks ranging from second lieutenant to colonel. It is my understanding that the response to these letters was very discouraging to the military and has not yet resulted in any augmentation of their optometric manpower by this method. As a direct consequence of the lack of response by civilian practitioners, the Army has requested and the Selective Service System has implemented a draft call for 100 optometrists.

We do not believe that it is necessary for the Government to offer starting salaries ranging from $12,000 to $20,000, but obviously they cannot hope to attract optometrists to enter into Government service with the present rates of pay offered.

Our position would be that we are in favor of an across-the-board increase for civil service employees, but we also believe that something should be done to compensate optometrists in Federal service on a basis more nearly comparable to what they are paid in civil life. When we look at these figures, we can readily understand why there are only about 50 optometrists on the civil service rolls at the present time. This situation is not in the best interest of the Federal employees nor of the taxpayers whom they serve and we trust that this committee will find some way to correct this inequity.

We feel the proposed pay raises for civil service employees are necessary to maintain or achieve a greater degree of comparability commensurate with their educational background and professional training.

Mr. UDALL. The next witness is Mr. Kenneth T. Lyons.

Mr. LYONS. Thank you. With your permission, our vice president, Mr. Stanley Lyman, will accompany me.

Mr. UDALL. We are happy to have Mr. Lyman and you, and you may proceed.

STATEMENT OF KENNETH T. LYONS, PRESIDENT, NATIONAL ASSOCIATION OF GOVERNMENT EMPLOYEES, ACCOMPANIED BY STANLEY LYMAN, VICE PRESIDENT

Mr. LYONS. Mr. Chairman and members of the Post Office and Civil Service Committee, in March 1964, President Johnson, in a letter to Speaker McCormack, said:

> It is false economy to offer salaries that will atrract the mediocre but repel the talented * * * . I need your help in my program to get a dollar's worth of value for every dollar's worth of pay * * * and the dollars paid to attract brains and ability to the Federal service will come back to the American people many times over in more economical and effective government.

Later the President followed up by stating:

> We do not have two standards of what makes a good employer in the United States; one standard for private enterprise and another for the Government. A double standard which puts the Government employee at a comparative disadvantage is shortsighted. In the long run it cost more.

The words of Congress in the Salary Act of 1962 are: Federal salary rates shall be comparable with those paid by private enterprise for the same levels of work.

The National Association of Government Employees respectfully regrets that the administration has thus far failed to live up to their statements and acts.

To continue paying Federal employees peasant wages as though they were in bondage and prevent them from taking their place in the Great Society is not only a great disservice to them but to our Nation.

The organization wishes—emphatically, to record itself in opposition to the proposed 3.2 percent pay raise plan as being:

(1) Grossly inadequate.

(2) That an increase above 3.2 would not be inflationary.

(3) The wage-price guidelines argument does not apply.

(4) Violates public policy as declared in the Federal Salary Act of 1962.

Last June, before the House Subcommittee, John W. Macy, Jr., Chairman of the U.S. Civil Service Commission, testified that; based on the latest Bureau of Labor Statistics survey findings, Federal employees in the lower grades were 1 year behind their counterparts in private industry while middle grades were 2 years behind and upper Federal grades 3 years in arrear.

In percentage figures, what Mr. Mach was telling the committee was that Government employees were actually being paid 3½, 8.9, and 10 percent less than workers in private enterprise while discharging similar duties.

The National Association of Government Employees upon completion of its study of the Bureau of Labor Statistics survey has discovered that Government employees, in many instances, are actually receiving from 3 to 45 percent less in starting wages.

The contrast in salary inequities inflicted upon these Federal employees assumes a more startling proportion when a further comparison is made upon completion of 4 years' employment. At this point in his career, the Federal employee discovers he has narrowed—slightly—the gap. He is, in many instances, now receiving from 2 to 40 percent less than what private industry would be paying him.

The situation does not get any better, for at the 10-year mark many Government employees will find no solace in the fact that if he were in private industry he would be getting from 2 to 11.5 percent more and on top of this fringe benefits would increase the figure.

For example: A GS–15 attorney, if he chose to serve his Government today, would receive $7,749 less in starting pay than if he entered private enterprise. And, his situation fails to improve. For, by the fourth year, he will be $7,150 behind, but at the end of 10 years, the Government manages to close the gap so that he is behind only $2,439.

Consider the case of a GS–5 draftsman. Upon completion of 10 years' service, he is actually getting $155 less than what his counterpart would be offered as a starting salary in private industry.

A GS–3 tabulator now receives $20 a week less than his equal in private industry.

Is this not false economy? Is this equitable? Does this conform to Federal-private industry salary comparability? Do we not still have a double standard that separates Government from private industry?

Since 1962, when the Committee on Post Office and Civil Service, to their credit, approved and the Congress passed legislation establishing the principle of comparability for salaries of Federal employees the administration has reported that salaries have been increased by 12 percent.

The NAGE, in deference to the committee, Congress and the administration, regretfully charges it has not been enough and finds itself once again in opposition to the pay hike as being grossly inadequate.

Contrary to the administration's call for a dollar's worth of work for a dollar's pay, it is our position that the Federal employee produces far more in output than what he is being recompensed.

How can our Government continue today and in the future to entice talented careerists?

The youth of today has far more economical vision than those of yesterday. Today as never before he finds more occupational doors open to him in private industry. He is more selective than in the past. He does not have to take just any job to earn a day's pay as before. Private industry seeks him out. If he is a college student he is assured of employment with some of the Nation's largest corporations before he graduates.

The youth of today is more knowledgeable. He wants and expects a large and quick return on his educational dollar. He desires, expects, and it is his right to a more prosperous future than his forebears.

How then can Government absorb the best talent, brains and dedication when Government fails to compete with private industry for his services?

Today, more than ever, it is imperative that the Federal Government obtain the best talent.

How can this be accomplished when a prospective employee discovers that in many instances it would be 10 years before he would equal the starting salary of his counterpart in private industry.

The administration's goal in preventing mediocrity in Government will not be achieved until Government assumes its obligation in paying Federal employees pay equal to private industry.

Recent accounts were published testifying to the dedication and loyalty of Government employees who saved the Government $95 million through cost cutting and work-improvement ideas, for the fiscal year ending June 1965.

If there is mediocrity, it lies in the proposed 3.2 pay package, not in Government personnel.

Since 1964, many key industries have negotiated increases, some of them reached with Government suggestions. It is thus, a fact that Government employees are further from comparability today than they were in 1964.

The administration, committed as it is to the principle of comparability, should not treat Federal employees as a piece of steel or aluminum.

Federal employees have been told that the specter of inflation and the high cost of financing our commitment in Vietnam were among the chief factors in justifying the token pay-fringe proposal.

As to inflation—why economically deflate the Government employee? Should he alone shoulder the burden? What of the rest of the Nation's working populace. Certainly the living costs of Federal employees is comparable to those in industry.

In the past 25 years that this Nation has seen itself embroiled in either hot or cold wars, industrial workers did not suffer when it came to pay raises. Who can say when peace will come in Vietnam, and past employment and wage statistics will bear out that Federal employees never fared well in peacetime.

The time has long passed when our Government should assume the lead rather than follow wage patterns adopted by private industry.

But this organization fears that that time may never come—certainly not in the near future. For now, the procedure for setting wage scales in Government appears to be no longer vested in Congress acting in concert with the administration and the employees. Rather it stems from an executive panel which has failed to take into account many vital and necessary economic considerations that would, we believe, have caused them to present a wage program far in excess of what they proposed.

Additionally, labor's demands for the coming year in industry promises to set Government rates so far behind, it will take years to equate. Although the unions have yet to estimate their pay and fringe goals, they reportedly exceed, by far, the administration's guideposts for noninflationary settlements. The Government's classified work force can be expected to follow closely the administration's attitude here.

Mr. Chairman, with your permission, we have an addendum by Mr. Lyman, who is our national vice president of the National Association of Government Employees, and he represents the Federal Aviation Agency's air traffic controllers. Mr. Lyman is an air traffic controller. With your permission.

Mr. LYMAN. Mr. Chairman, the National Association of Government Employees is compelled, at this time, through this committee,

to inform Congress of the plight of Federal Aviation Agency employees as it pertains to his working hours and conditions in relation to his wages.

The FAA employee, be he an air traffic control specialist, equipment technician, or a communications person, has been subjected for too long to endure a situation that places him in a unique category among Government employees.

With air traffic increasing almost daily, and the failure of the Agency to adjust accordingly, FAA employees charged with the lives and safety of the flying public have found themselves working under conditions that can be termed hazardous.

This organization implores this committee to request Congress take the necessary steps that will ultimately assure compensation to these employees commensurate with their grave responsibilities.

Few persons are aware of the mental and physical hammering experienced by FAA employees while handling heavy volumes of air traffic, ofttimes under the most trying of conditions.

An FAA employee, due to his work schedule, is forced to forgo a large part of his family life. Unlike most Federal employees, he is most fortunate if he can enjoy a portion of his scheduled 10-week-end time off periods.

Too often, upon completion of his workday, he finds himself being ordered back to work when emergencies arise.

He is constantly faced with the problem of traveling great distances under severe conditions, at any hour of the day and night to perform his duties—without receiving compensation.

The NAGE urges Congress to provide immediate improvements and pay provisions to compensate these dedicated and vital Federal employees by approving the following:

(1) Provide a 25-percent shift differential for employees that are required to work on Saturdays and Sunday.

(2) Provide time and one-half for all work over 40 hours and to include traveltime during call-back assignments.

(3) To provide a 2½-percent retirement system after 20 years of service to assure an adequate retirement policy.

I submit, Mr. Chairman, that this Nation is experiencing a transportation revolution which will greatly increase over the next two decades.

As the critical dependence upon aviation in our economy continues, the capacity of the airspace to accommodate planes must of necessity increase correspondingly. Today, air traffic controllers find themselves responsible for aircraft carrying upwards of 200 people as compared to planes that carried as many as 7 in 1947. Aircraft in the future promises to accommodate many times in excess of what they are transporting today.

To meet this challenge, the FAA must apply progressive policies to correct pay inequities, working conditions, and sufficient personnel. The stakes are too high and the time has come to remedy the situation.

This organization hopes that Congress will not abandon the FAA employees any more than we would expect the captain of a jetliner to abandon his craft during unexpected air turbulance.

Mr. Chairman, may I express my appreciation of all NAGE members for the interest manifested by this committee. We are confident that Congress will be sympathetic to our pleas.

Mr. LYONS. The National Association of Government Employees, therefore, proposes the following recommendations for enactment in 1966:

A pay raise for classified and postal employees which properly reflects that of private industry, which, in our opinion, would range from 6 percent up to 44 percent.

The immediate extension of basic medicare for Federal employees.

Optional social security for all Federal employees.

A 10-percent pay raise for all Federal Aviation controllers.

Provide a 25-percent shift differential for all classified employees that are required to work on Saturdays and Sundays.

A 2½-percent retirement system after 20 years of service for all FAA employees to assure adequate retirement policy.

That the proposed pay raise and fringe benefits be made retroactive to March 1, 1966.

Mr. LYONS. Mr. Chairman, I want to thank you and the committee for allowing us to appear here today.

Mr. UDALL. Thank you, Mr. Lyons. What is the source of the data attached to your statement?

Mr. LYONS. U.S. Civil Service Commission, Mr. Chairman, and the Bureau of Labor Statistics.

Mr. UDALL. Without objection your tabulations will appear in the record of these hearings following your testimony.

What is the membership of your organization, Mr. Lyons?

Mr. LYONS. Approximately 65,000, Mr. Chairman.

Mr. UDALL. Do you have a number of bargaining contracts, where you are designated as exclusive bargaining agent?

Mr. LYONS. Yes, we do. We are running behind now with the FAA. How many is it, Mr. Lyman?

Mr. LYMAN. About 25.

Mr. LYONS. We are behind 25, which we are negotiating now with the FAA. We have one with the Navy and many others.

Mr. UDALL. Your statement is most helpful and informative. I would say to Mr. Lyman that as a private pilot, who does a good deal of flying, I have a special place in my heart for the controllers and for the FAA people who have always been available when I needed them.

The gentleman from Hawaii?

Mr. MATSUNAGA. Mr. Lyman, you speak of the FAA employees being called back to duty on emergencies. On the average, how often is an employee called back, and how many hours, on the average, does he work in excess of his regular hours?

Mr. LYMAN. I would say the average runs anywhere from two to three times a month and during the summer months probably oftener than that. The average hours normally would run 6 to 7 hours, or probably the full 8 hours after he is called back, depending on the traffic conditions or the problem that he is working on.

If it relates to a maintenance failure or a piece of electronic equipment, such as a controller, normally when he is called back he can look forward to facing another minimum of 5 to 6 hours of active control duty.

Mr. MATSUNAGA. That is each time he is called back?

Mr. LYMAN. Yes.

Mr. MATSUNAGA. On the average, per week, about how many hours, would you say?

Mr. LYMAN. If he is back three times a month, it would probably break down to 3 to 4 hours a week.

Mr. MATSUNAGA. Is he paid overtime for these hours?

Mr. LYMAN. No, sir, he is given what the Government calls or what is known as compensatory time. However, he doesn't always get to take advantage of compensatory time. Again, during the summer months, when traffic is at its peak, and this is when most of these problems occur, you don't find time during the normal week to allow the man to get extra time off to take the compensatory time, so as a result he normally will lose it.

Mr. MATSUNAGA. Do you have any standby employees who would replace the regulars, in time of illness, or who would take the place of the regulars who were off on compensatory time?

Mr. LYMAN. No, sir. We are so short-handed now we are all on a constant 24-hour standby basis and this is the problem we encounter.

Mr. MATSUNAGA. Do you have any complaints among these workers, or complaints from the supervisors as to the efficiency of these workers who are called back on emergencies?

Mr. LYMAN. No. As far as their decreased efficiency, no. They just put out a little extra effort, when they are called back; the individual just finds that extra energy to give him the same responsibility, give him the same output he would put out during his regular 8-hour day, knowing if he were to slack down or not have this worry in the back of his mind of what may happen, he could find himself in in a great deal of difficulty. So we don't have any problem with that at all.

Mr. UDALL. I can say from personal experience it is a very exceptional group.

Mr. MATSUNAGA. I asked because, in your testimony, you stated —and I quote:

> FAA employees, charged with the lives and safety of the flying public, have found themselves working under conditions that can be termed "hazardous."

Would you go into specifics in this area?

Mr. LYMAN. This relates particularly to the field of lack of what we feel would be additional help to man the various facilities that we have and man the various positions on the radar equipment that should be manned. And we just don't have the people. We find ourselves often at times working a radar position and also what we call a radar handoff position, which should be manned by two individuals which often, or 99 percent of the time, are only manned by one. Under these conditions, you are working with aircraft at a rate of anywhere from 800 miles on up; these conditions can be hazardous when you have one man who has less than 3 or 4 minutes at times to make a decision, working alone, and not having another man sitting next to him giving him a little aid in what his future plans should be, as far as controlling traffic goes. These conditions are hazardous and unfortunately they are portrayed by a black headline in the newspaper that declares a near miss, similar to the headlines we had several years ago in Washington, when we had two aircraft in a holding pattern.

Mr. MATSUNAGA. Thank you, Mr. Chairman.

Mr. UDALL. The gentleman from New York?

Mr. HANLEY. Thank you, Mr. Chairman.

Mr. Lyons, your testimony I don't believe touched on the administration proposal with respect to the 30-year, age-55 requirement. Do you care to make an observation on this?

Mr. LYONS. Well, we favor that, Congressman. Are you talking about the involuntary aspect of it?

Mr. HANLEY. Both. You do favor the general proposal. Then, specifically, what is your attitude toward the involuntary aspect of it?

Mr. LYONS. I think you would have to have just a cleaver going right down through. I don't believe in that. A system such as the air traffic controllers, I believe that they, when they reach the age of 45 years old, should be retired automatically by the Government.

I think it depends a good deal on the profession and the type of work that is being done by the employee. I would favor, however, involuntary retirement for most all of the employees. But you would have some exceptions, I think, of engineers, attorneys, that may, because of necessity, the Government would have to keep their talents and additional consideration be given them.

But I think that our present retirement system is entirely inadequate. And I think this is a step in the right direction, the proposal that you have before you.

Mr. HANLEY. Then you would agree with the involuntary aspect of the program?

Mr. LYONS. Yes, I would.

Mr. HANLEY. If I might address this question to the gentleman from FAA, on page 1 of your testimony, the concluding paragraph—

> he is constantly faced with the problem of traveling great distances under severe conditions at any hour of the day and night to perform his duties without receiving compensation.

Could you give us a hypothetical example of this?

Mr. LYMAN. I could give you several, if you wish. I will refer, rather than to myself or in the air traffic controller category to the electronics technician, where we have a piece of equipment located some 40 miles from the airport up in a remote mountain site in the middle of the winter, and this piece of equipment fails, which is also a piece of equipment that would be vital to the control service being performed at the airport. There is normally no man at this site. They call a man, who could conceivably have just finished his 8-hour tour of duty and returned home and he receives a phone call that a piece of equipment he is charged with has failed, and he has to turn around, whether it be a blizzard or rainstorm, whatever the conditions, turn around and somehow get to the mountain site, work on the equipment, get it restored to the air and return home. And this happens very often, particularly in the electronics equipment.

Mr. HANLEY. I see. With respect to percentage of turnover, people employed in this particular field, do you have a figure on that?

Mr. LYMAN. I would judge it could be very low. I don't have the exact figure, but I understand we have a very low turnover at this time. Again, we feel that the turnover is low because we are forced to remain working; yet, we have to have an adequate retirement system to cover us, compensate us if we were to leave the Service.

Mr. HANLEY. I see. Thank you. I have no further questions, Mr. Chairman.

Mr. UDALL. I would add the Congress is about to act, I hope, on this moving expense bill, which has affected many Federal employees, but particularly the FAA people who are subject to transfer around the country from time to time. I know many cases of employees who have spent several hundreds of dollars in excess of their travel allowance. The moving expense bill is certainly a step in the right direction. We had wanted to include it in our pay bill last year, but there was a conflict in committee jurisdiction.

We thank you for appearing this morning, gentlemen. Your testimony will be helpful to the subcommittee in our deliberations.

(The tables referred to by Mr. Lyons follow on next page.)

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Comparison of private industry average pay rates to FES general schedule rates of October 1965

Job classification	Private industry average salaries	Federal starting rates	Current 4th rates	Current 10th rates	Dollar differences, private industry versus Federal Government			Needed Federal salary, percent increase to match private industry rates		
					Start	4th	10th	Start	4th	10th
GS-2:										
Keypunch operator, I	$3,947	$3,814	$4,201	$4,975	$133			3.0		
Switchboard., I	4,140	3,814	4,201	4,975	326			8.5		
Tabulating machine operator, I	4,105	3,814	4,201	4,975	291			7.5		
GS-3:										
Tabulating machine operator, II	5,054	4,149	4,569	5,409	909	$485		21.0	10.0	
Engineer technician, II	4,932	4,149	4,569	5,409	783	363		18.5	7.5	
Keypunch, II	4,590	4,149	4,569	5,409	441	21		10.5		
Clerks, file, III	4,512	4,149	4,569	5,409	363			8.0		
Stenographers, general	4,338	4,149	4,569	5,409	189			4.5		
Typists, II	4,336	4,149	4,569	5,409	187			4.5		
GS-4:										
Tabulating machine operator III	6,097	4,641	5,109	6,045	1,456	988	$52	31	19.0	(1)
Engineer technician, II	5,892	4,641	5,109	6,045	1,251	783		26.5	15.5	
Clerks, accounting, II	5,589	4,641	5,109	6,045	948	480		20	9.0	
Draftsman, I	5,424	4,641	5,109	6,045	783	315		16.5	6.0	
Stenographer, senior	4,946	4,641	5,109	6,045	305			6.5		
GS-5:										
Accountant	6,312	5,181	5,694	6,720	1,131	618		21.5	10.5	
Auditor, I	6,204	5,181	5,694	6,720	1,023	510		19.5	8.5	
Chemist, I	6,612	5,181	5,694	6,720	1,431	918		27.5	16.0	
Draftsman, I	6,875	5,181	5,694	6,720	1,694	1,181	155	32.5	20.5	2.0
Engineer, I	7,512	5,181	5,694	6,720	2,331	1,818	792	44.5	30.5	11.5
Engineer technician, III	6,828	5,181	5,694	6,720	1,647	1,134	108	31.5	19.5	1.5
Job analyst	6,636	5,181	5,694	6,720	1,455	942		28	16.5	
GS-6: No private industry data										
GS-7:										
Engineer, II	8,292	6,269	6,890	8,132	2,023	1,402	160	32	20.0	1.5
Draftsman, III	8,038	6,269	6,890	8,132	1,769	1,148		28	16.0	
Engineer, technician, IV	7,680	6,269	6,890	8,132	1,411	790		22.5	11.0	
Job analyst, II	7,668	6,269	6,890	8,132	1,399	778		22	11.0	
Attorney, I	7,368	6,269	6,890	8,132	1,099	578		17.5	8.0	
Auditor, II	7,440	6,269	6,890	8,132	1,171	550		18.5	7.5	
Accountant, II	7,044	6,269	6,890	8,132	775	154		12	2.0	
GS-8: No private industry data										

GS-9:										
Engineer, III	9,468	7,479	8,241	9,765	1,980	1,226	----------	26.5	14.5	----------
Attorney, II	8,940	7,479	8,241	9,765	1,461	699	----------	19	8.0	----------
Job analyst, II	8,892	7,479	8,241	9,765	1,413	651	----------	18.5	7.5	----------
Auditor, III	8,748	7,479	8,241	9,765	1,269	507	----------	16.5	6.0	----------
Chemist, III	8,808	7,479	8,241	9,765	1,329	567	----------	17	6.5	----------
Engineer technician, V	8,676	7,499	8,241	9,765	1,197	435	----------	16	5.0	----------
GS-10: Manager office service	9,240	8,184	9,024	10,704	1,056	236	----------	12.5	25.0	----------
GS-11: Manager of office service	11,412	8,961	9,879	11,715	2,451	1,533	----------	27	16.5	----------
Engineer, IV	11,376	8,961	9,879	11,715	2,415	1,497	----------	26	15.0	----------
Chemist, IV	10,980	8,961	9,879	11,715	2,019	1,101	----------	23	11.0	----------
Chief Accountant, IV	10,740	8,961	9,879	11,715	1,779	861	----------	19	8.5	----------
Attorney, III	10,512	8,961	9,879	11,715	1,551	633	----------	17	6.0	----------
Job analyst, IV	10,668	8,961	9,879	11,715	1,707	789	----------	18	7.0	----------
Auditor, IV	10,728	8,961	9,879	11,715	1,767	849	----------	19.56	8.5	----------
GS-12:										
Manager, office service	13,824	10,619	11,723	13,931	3,205	2,101	----------	30	17.5	----------
Engineer, V	13,272	10,619	11,723	13,931	2,653	1,549	----------	24.5	11.0	----------
Attorney, IV	13,644	10,619	11,723	13,931	3,025	1,921	----------	28	16.0	----------
Chemist, V	13,068	10,619	11,723	13,931	2,449	1,345	----------	23	11.0	----------
GS-13:										
Attorney, V	16,500	12,510	13,815	16,425	3,990	2,685	75	31.5	19.0	----------
Chemist, VI	15,168	12,510	13,815	16,425	2,658	1,353	----------	21	9.5	----------
Engineer, VI	15,336	12,510	13,815	16,425	2,826	1,521	----------	22.5	11.0	----------
Chief accountant, III	14,604	12,510	13,815	16,425	2,094	789	----------	16.5	5.5	----------
Director of personnel	14,520	12,510	13,815	16,425	2,010	705	----------	16	5.0	----------
GS-14:										
Attorney, VI	20,040	14,680	15,188	19,252	5,360	4,852	----------	36.5	31.5	4.0
Engineer, VII	18,012	14,680	15,188	19,252	3,332	2,824	----------	22.5	18.5	----------
Chemist, VII	17,928	14,680	15,188	19,252	3,248	2,740	----------	22	18.0	----------
Chief accountant, IV	17,028	14,680	15,188	19,252	2,348	1,840	----------	16	12.0	----------
Director of personnel, IV	16,956	14,680	15,188	19,252	2,276	1,768	----------	15	11.5	----------
GS-15:										
Attorney, VII	24,804	17,055	17,645	22,365	7,749	7,159	----------	45	40.0	10.0
Chemist, VII	22,212	17,055	17,645	22,365	5,157	4,567	----------	30	25.5	----------
Engineer, VIII	21,108	17,055	17,645	22,365	4,053	3,463	----------	23	13.5	----------

[1] Insignificant.

Mr. UDALL. The next witness is Mr. Dillard Lasseter, counsel for the Organization of Professional Employees of the U.S. Department of Agriculture.

STATEMENT OF DILLARD LASSETER, LEGISLATIVE COUNSEL, ORGANIZATION OF PROFESSIONAL EMPLOYEES OF THE U.S. DEPARTMENT OF AGRICULTURE

Mr. LASSETER. Thank you Mr. Chairman. I am pleased to have this honor of appearing before you. I represent the Organization of Professional Employees of the U.S. Department of Agriculture, and, with your permission, sir, I will brief my statement in the interest of time.

Mr. UDALL. Without objection, the complete statement will appear in the record at this point, and you may summarize it.

(The prepared statement is as follows:)

PREPARED STATEMENT OF DILLARD LASSETER

Our organization is pleased with the statesmanlike approach that this administration has taken toward meeting the needs of the Federal professional personnel. There is great merit in considering related matters such as salaries, retirement, leave, and insurance as parts of a "package."

When he signed the Government Employees Salary Reform Act of 1964, the President said: "America's challenges cannot be met in this modern world by mediocrity, at any level, public or private. All through our society, we must search for brilliance, welcome genius, strive for excellence." There has never been a time in our history when this was as important in the Government service as it is today. We are faced with changes with which only the most competent and properly motivated personnel can cope. More and more, the Federal Government is involved in meeting new problems. These demands will rapidly increase to challenge the best in all Government employees, particularly at the professional level.

In his transmittal letter of March 7, 1966, to the Congress, President Johnson observed that "—pay, retirement, and other fringe benefits are all parts of an employee's total compensation." He emphasized that: "Recognition of this basic fact is crucial in developing a rational and equitable system of compensation." OPEDA endorses President Johnson's views on total compensation.

How can the Government attract and keep competent professional personnel? We recognize there are many factors which must be kept in mind. Any self-respecting employee would like to believe that his abilities are recognized and used at the point of greatest need. He wants a certain degree of freedom to "operate." He would like to be in an organization that can be changed to accommodate obvious needs as they appear. But these factors do not take the place of pay. Increasing salaries of the upper grades to at least near comparability with those in industry is likely to bring into the Government those whom the President said we must have. We believe comparability is essential to efficient government now and especially in the future.

Pay

Pay comparability with the private sector of our economy is one of the more progressive goals adopted in recent years. It is of special importance to the professional personnel and the management of units requiring their services. In many agencies, professional employees work with their counterparts in industry. If Federal employees have the competence to supervise and share leadership for public programs carried out by private firms, their pay should be comparable to those with a like responsibility in industry. The administration's recognition of this is reflected in the difference between the proposed 4.5 percent increase for GS-15 and 1 percent for GS-1 and 2. But 4.5 percent in the higher grades barely covers the increase in the disparity between Government and indusrry. Therefore, we feel obligated both to our 7,200 members and to our Government to respectfully insist that full comparability is needed if the required competence of professional personnel is maintained now and retained in the future.

There has been a disproportionate number of separations from the Government service at the higher grades in the younger age groups. The table below illustrates what is now happening in a Government division that may be considered typical of those carrying out research for many of the new Government activities. While the loss in each grade has been about 17 percent of the total number in that grade, almost half of the separations occurred in the 30- to 34-year age group. The talent of tomorrow is leaving Government today for better job opportunities elsewhere.

Distribution of professional employees voluntarily separated August 1963 to November 1965 (by age group)

Age group	GS-14	GS-13	GS-12	GS-11	Total
30 to 34	0	8	14	14	36
35 to 39	2	6	8	3	19
40 to 44	7	3	2	1	13
45 to 49	2	3	1	0	6
Total	11	20	25	18	74

Health

OPEDA fully supports the proposed changes in the health program. The increase in the Federal part of the cost of the health insurance is in line with trends in industry.

We also support the proposal to transfer retirees to the medicare program.

Retirement

Although more than 90 percent of OPEDA's members who have written us are opposed to "combining civil service retirement with social security," we do support the plan to assure an annuity equal to that provided by social security for employees and their families with short periods of Federal service or who have shifted from Federal to non-Federal service. This should assist in providing encouragement of the exchange of competent personnel between the Federal Government, State, and local government as well as with industry. However, this does not correct an inequity keenly felt by many OPEDA members. We refer to the discrimination which the Civil Service Commission has made by including State and county extension agents under Federal civil service retirement but not allowing similar credit for other Federal-State service for those who were brought into the Federal service during the 1930's to fill scientific, technical, and administrative positions in the New Deal agencies. These are the "forgotten" professionals of the Federal service. We urge Federal retirement credit for this service.

We approve the provision which will enable an employee with 20 years of service to retire at age 60.

We see no reason why employees should not share equally the normal cost proposed for the future liberalization of retirement benefits.

OPEDA supports the administration's proposal for maintaining the retirement fund at an ample margin of fiscal safety.

OPEDA was among those who pioneered the idea of employees being permitted to retire with full annuity at the age of 55 with 30 years of service. It congratulates the administration on this progressive step. It has been indicated, however, that authority should be given management to initiate action to retire employees at the age of 55 with 30 years of service. Interest in efficiency and productivity in the career service has been suggested as the reason for seeking this authority. If this is to be done it should be made to apply to all grade levels because declines in efficiency after 30 years of service will not be limited to grades 13 and up. In any case the net effect of granting such authority to management would mean the employees affected could summarily be stripped of job retention rights available to them during the first 30 years of their career service. Such authority should not be given unless it is tempered by effective restraints and controls to protect employees against misuse from any source and for any reason. Unless the authority is sought for all grade levels, and unless it is accompanied by restraints and controls, higher graded employees can only conclude that the career civil service would be weakened. As proposed, it is a serious threat to the service. Since it

is such an important matter, we strongly object to the inclusion of this feature. It merits thoughtful study, and jointly recommended action by management and employee groups.

We are extremely interested in the recommendations of the Cabinet's Committee on Federal Staff Retirement Systems for the improvement of survivor's benefits. There is one situation in laws governing survivor benefits that is not specifically corrected by the Committee's recommendations. The Retirement Act prevents the widower from receiving an annuity should his wife die in service. According to the new philosophy in the Cabinet's Committee Report: "The concept of staff retirement benefit as a gratuity, or even as a reward for long and faithful service, has given way through the years to the concept that it, too, is a right earned through past service." We submit that the married female employee is denied the total compensation which her married male colleague is paid. We can only believe that President Johnson failed to make this as a specific recommendation only because this inequity was not brought to his attention.

Under existing law, as amended in 1956, a married female employee can, upon retirement, expect to leave an annuity to her husband. This is as it should be, of course. But it is even more important that she should have this right during employment—when she and her husband may be raising and educating children.

The members of this organization favor the President's proposal that a widow who marries after 60 years of age should continue to receive the annuity left by her deceased husband. But they do not want that benefit to take priority over what they consider to be their right to leave an annuity to their husbands.

OPEDA wishes to thank the committee for this opportunity of expressing its views on these excellent proposals.

Mr. LASSETER. Thank you, sir. The question of pay—I don't think there is any question—they know up here we are strong for comparability. We don't believe it has been approached yet, especially among the membership of this organization I represent, and we have 7,200 members, as you notice in the statement.

I have one brief table here showing what this lack of comparability does, on page 2. It shows that, in this one Government division—and I assume it is in the Department of Agriculture as it was prepared there, the statement was—it shows that, in the age group—from 1963 to 1965, August to November—in the age group, 30–34, the voluntary retirements were 36 in one division, from GS–12, GS–14, 35–39. There were 19; 40–44, 13, and 45–49, just 6. This organization fully supports the proposed changes in the health program.

The increase in the Federal part of the cost of the health insurance is in line with trends in industry.

We also support the proposal to transfer retirees to the medicare program. Although more than 90 percent of our members are opposed to combining civil service retirement with social security, we do support the plan to assure an annuity equal to that provided by social security for employees and their families with short periods of Federal service, who have shifted from Federal to non-Federal service. This should assist in providing encouragement of the exchange of competent personnel between the Federal, State, and local governments, as well as with industry. However, this does not correct an inequity keenly felt by many members. We refer to the discrimination which the Civil Service Commission has made by including State and county extension agents under Federal civil service retirement, but not allowing similar credit for other Federal-State service for those who are brought into the Federal service during the 1930's to fill scientific, technical, and administrative positions in the New Deal agencies. These are the forgotten professionals of the Federal service.

We urge Federal retirements for this service. I might add here, sir, that there has been legislation up here for the last 10 years providing

this. In 1955, I represented this group and provision was made to give these people civil service credit, without any dissenting vote in the House or Senate, but unfortunately it was vetoed, and I think based on incorrect information.

I might say these people are former employees of the vocational education system, and of course you know what they do, and certainly employees of the State experiment stations, and some of them had as many as 14 years of service in those agencies before they joined the Federal service. And for that period they do not have any social security. In other words, they have nothing in the way of retirement for that service. As I say, the extension service, they are part Federal and part State, and sometimes part county. They do have that. And the vocational teachers and these other groups for some reason have been excluded. I think it is a great injustice.

We approve the provisions which will enable an employee with 20 years of service to retire at age 60. We were among the first to propose or pioneer the idea of employees being permitted to retire with full annuity at the age of 55, about 30 years of service. We do have some reservations, though, about the involuntary features of that, sir, and we hope that, if it is included in the legislation—the involuntary feature—that strong safeguards will be built to prevent any inequities.

Also, we feel that a cutoff period at grade 13 would be difficult to administer in one way and another, that a man in a grade 13, his efficiency may decline at 55, just as much as one in a grade 14 or 15. In other words, we do not believe that it should be limited to grade 13 and above.

Another feature which we strongly recommend, the Retirement Act prevents the widower from receiving an annuity, should his wife die in service. According to the new philosophy and Cabinet Committee's Report, "the consent of staff retirements benefit as a gratuity, or even as a reward for long and faithful service has given way through the years to the concept that it, too, is a right earned through past service."

We submit that the married female employee is denied the total compensation which her married male colleague is paid. Under the existing law, a married female employee can, upon retirement, expect to leave an annuity to her husband. This is as it should be, of course, but it is even more important she should have this right during employment, when she and her husband may be raising and educating children.

The members of this organization favor the President's proposal that the widow who marries after 60 years of age should continue to receive the annuity left by her husband, but they don't want that benefit to take priority over what they consider to be their right to leave an annuity to their husbands.

Thank you, Mr. Chairman.

Mr. UDALL. Thank you. I was interested in the table on page 2 of your statement which shows in the age group, 30 to 34, particularly in GS–11, 12 and 13. There is a very large rate of voluntary separation. This illustrates to me that many able people with 5, 8, 10, or 12 years' Government service, who are entering into the most

productive and fruitful period of their careers, are leaving the Federal service. I think it is a commentary on the kind of pay that we provide for professional people, as opposed to what they could make in private enterprise. It is very alarming. It contrasts quite sharply with the person in his forties who has invested so much time toward his retirement that he is not as likely to leave.

Mr. LASSETER. Yes. I was caught in that dilemma myself, sir. I reached that age where I couldn't afford to leave.

Mr. UDALL. There is also a connection between that and your comments on the involuntary retirement feature. I was interested in what you had to say on that.

In private enterprise we try to advance the bright young people. We try to hold out in a really progressive company the prospect that, if you work hard in your thirties, show some leadership, by the time you are in your forties, you will be heading a division or section or have a major responsibility.

Too often, some people have had the philosophy that in Federal Government, once you get on the payroll, promotions are automatic. You stay there forever. And, regardless of your initiative or ability, you are entitled to advance and, probably by age 50, you will be the head of some important section or department, or some important work. I think one of the reasons we are behind private enterprise is that it has more selectivity.

It seems to me, that maybe these people in their early thirties, in grades 11, 12 and 13, wouldn't leave if there were some expectation of openings in grades 14, 15 or 16, which they might, through a little extra hard work, fill in a few years. If the Government had the management tool, so you could move a few of the people at the top, and make room for the bright and able young ones to advance, maybe we could keep some of these people who are shown in your table as leaving.

Maybe there is not a connection there, but it seems to me perhaps there is a lesson contained in those two parts of your statement. Would you care to comment on that?

Mr. LASSETER. Well, as I understood you, you are saying that, move out the 13's, 14's and 15's, and make room for these others who are leaving. Is that it, sir?

Mr. UDALL. Yes, on a selective basis.

Mr. LASSETER. That is right. I understand that. As a matter of fact, I have been an administrator in the Government, and also in private business, and I recognize the truth in everything you say. At times in the Government, there were 14's and 15's I would have liked to have gotten out of the way.

Mr. UDALL. Not because they were dishonest or incompetent, but because you had a bright young man who could do the job.

Mr. LASSETER. Now, off the record.

(Discussion off the record.)

Mr. UDALL. Back on the record. I think what we are both saying is that people vary. You may have a man of age 55 who is the most valuable employee in the entire department, and you may have a man of age 55 who has saddlesores—who quit thinking and trying to do new things 12 or 15 years ago.

Mr. LASSETER. I have had some at 70 that I didn't want to lose. So again, if there are safeguards here—and make it apply to everybody—I see no reason why it should not be done.

Mr. UDALL. The gentleman from Hawaii?

Mr. MATSUNAGA. Mr. Lasseter, pursuing further the matter just discussed, from your experience in Government service, did you find there to be more who ought to be retired involuntarily in the 13 and above, or below 13?

Mr. LASSETER. Mr. Matsunaga, I don't think I, with my own experience, based on memory alone, I don't think I could say one way or the other there. I have found them in both grades, those of whom I would have liked to have rid myself of them. So I don't think I could say that at all.

On the other hand, though, a person who has spent 30 years normally and who has not reached a grade beyond 11 or 12, there is, with all due respect, an implication there that stands right out.

Mr. MATSUNAGA. This is the point I was trying to make, that if you find one who has been in the service for 30 years and he has not been able to proceed or progress above the grade of 12, maybe something is wrong with him.

Mr. LASSETER. I will not disagree with that statement, based on my experience. A good many of the old line agencies have not paid the comparable salary that the new agencies, the glamorous agencies, pay, you see. And there are many high-class people in those grades below 13, in the old line agencies, who have not advanced, who, in a new type agency, would have moved up. I know many examples of that.

Mr. UDALL. That is as far as they can go. They are dedicated. They have given their lives to this department. They are the kind of people you want. They can make more in private enterprise, but they don't want to leave.

Mr. LASSETER. Yes. I have passed them in the laboratories, paying no attention to anything but work. Work is their life. They are not worried about promotion or anything else. They love it, and that is all.

Mr. MATSUNAGA. Thank you.

Mr. UDALL. The gentleman from New York?

Mr. HANLEY. Thank you, Mr. Chairman. Mr. Lasseter, I want to commend you on your fine statement and your many years of service to the Government and this committee, and this places you in a position of expertise, so we have great respect for the content of your statement. And in view of our intense interest with respect to the involuntary aspect of the retirement proposal, again I simply ask, from your observation, your many years of service, have you determined that very frequently this was the case, where a person in these levels would become somewhat complacent and perhaps not serve a real purpose to the cause of Government, and it would be better if the Government had a tool whereby they were allowed to separate this person? Did this happen very frequently, from your observation?

Mr. LASSETER. I may be called a traitor to my class, because I say this, but that is true, that there have been instances there when I would have liked to have rid myself of them. And I will say this, now, when I was in private industry, I didn't have that problem. I could solve that very quickly. And with the Government, of

course, I couldn't. But again, if you want me to be quite frank with you, I think not only my group, but other employee groups are just afraid of some abuse of this involuntary separation. I think they are afraid of it.

Mr. UDALL. This is the one objection to this proposal that many professional and upper-grade employees have raised. But I make two answers to them. One is that, certainly, I will concede that there could be a case of a good man being recommended for involuntary retirement by a supervisor who has a personal grudge. This could very well happen, but you have to balance this possibility against what exists under the present system. Which has the most evil and which the most good?

Under the present system, Mr. Lasseter has very frankly told us there are many times when, in comparison to private enterprise, the Government has its hands tied behind its back, and, in trying to carry out programs the Congress and taxpayers want it is not possible, because of deadwood in the organization. Balancing these two, I believe there would be far less injustice to the whole country by having a system of this kind.

My second answer is that I would be strongly opposed, in fact, would be ready to write the law, if need be, to any provision which would give this authority on a low level or department level without review.

If an agency employed 14 career-type professionals, and could summarily pick out any one of them and say, "Good boy, you have been there 30 years. It has been nice having you. So long." This would be one thing. But it is my intention in passing this law that such a person could only recommend and the recommendation would be reviewed, up through regional offices and into the head office, by a panel of top supervisors to weed out this sort of thing and actually determine whether a personal spite motive were involved.

I believe we can protect ourselves through a procedure of this kind.

Mr. HANLEY. Well, I think your proposal, Mr. Chairman, with respect to the review, could be the answer to the problem here, so that we don't develop something that would allow, for instance, the new broom to sweep clean. I think we have covered it quite well. Thank you, Mr. Lasseter.

Mr. UDALL. Thank you very much.

Our next witness is Mr. Davis Moorhead, president of the Patent Office Society.

STATEMENT OF DAVIS T. MOORHEAD, PRESIDENT, PATENT OFFICE SOCIETY, ACCOMPANIED BY SIDNEY W. MILLARD, CHAIRMAN OF LEGISLATIVE COMMITTEE, PATENT OFFICE SOCIETY

Mr. MOORHEAD. Good morning, Mr. Chairman.

Mr. UDALL. I see you are accompanied by someone.

Mr. MOORHEAD. I am Davis T. Moorhead, president of the Patent Office Society, and I am accompanied by Mr. Sidney W. Millard, who is chairman of the Legislative Committee of the Patent Office Society.

Mr. Millard, with your permission, will present our testimony.

Mr. UDALL. We would be happy to have him present it.

Mr. MILLARD. The Patent Office Society is an organization devoted to the professional development of patent examiners and to the improvement of the U.S. Patent System. Over 1,050 examiners and other professionals are members of the Society. This represents approximately 90 percent of the total number of professional employees in the Patent Office.

We thank you very much for the opportunity to be heard.

As you know, the U.S. Patent System has, this past year, commemorated the 175th anniversary of the Patent Act of 1790. The implementation of the U.S. Patent System rests on the shoulders of the Congress of the United States as provided for in article I, section 8 of the Constitution. Congress provides the statutory basis for our examination system, the physical facilities in which we perform our work, and the salary scale by which we are paid. It is with this last subject in mind that we are here today.

In order for the Patent Office to perform the job assigned by Congress, it is the Society's belief that the Office must be able to attract and retain skilled professional help. Patent examiners have degrees in engineering, chemistry, or physics. In addition, most examiners either have a law degree or are pursuing studies toward one.

Our job requires a scientific as well as a legal background.

To attract and retain its professional employees the Patent Office must be able to compete in the open labor market for people who have such scientific and legal disciplines.

Recently, the Patent Office has not been able to effectively compete in this market, mainly because of its salary schedule.

During the past months the Office has not been able to recruit enough technical people to fill the vacancies it now has.

Coupled with this, the Office has an annual turnover rate of 15 percent of its professional staff. Since it takes over 3 years to train an examiner to the point where he is able to perform his tasks without substantial supervision, one can see the enormous problem before the Office.

The annual turnover rate for the Patent Office professional staff by year has been:

Turnover

Calendar years:	*Percent*
1962	16
1963	16
1964	14
1965	16

Why does the professional staff of the Patent Office leave the Office? One of the significant reasons is economic. When one considers that corporate industry and law firms can hold out to the Patent Office professional staff much greater monetary rewards than the Office can offer, it is not surprising that the Patent Office has the turnover problem it now faces. A recent survey of 1963 incomes of patent practitioners taken by the American Patent Law Association shows the following salary scale, with which the U.S. Patent Office has to compete.

I would like to point out the GS salary scale here is a 1965 scale and the salaries in the survey taken by the American Patent Law Association are 1963.

I might point at the 20-year level, the present 1965 pay scale for a patent examiner is $17,000, in corporate industry it is approximately $20,000 and in private practice it is about $30,000 to $32,000.

Grade	Approximate 1965 salary	Years of practice	1963 salaries			
			Corporate		Private practice	
			Median	Mean	Median	Mean
GS-11	$8,961	3	$11,250	$11,385	$8,900	$8,822
GS-12	10,619	5	12,000	12,266		9,100
GS-13	12,510	7	14,000	14,050	14,500	16,003
GS-13	12,510	10				
GS-14	14,680		15,500	16,550	18,200	21,364
GS-13	12,510	15				
GS-14	14,680					
GS-15	17,055		19,000	19,777	24,200	26,432
GS-13	17,055	20				
GS-14	17,005					
GS-15	17,055		19,350	20,661	30,000	32,086
GS-13	17,055	25				
GS-14	17,055					
GS-15	17,055		24,000	24,097	30,000	31,895

This chart clearly shows that present Government salaries are not competitive even when compared with the salaries received by our private industry counterparts 3 years ago. Since the American Patent Law Survey 3 years ago one can reasonably expect that the salaries indicated therein have risen at least by the change in the cost of living.

The late President Kennedy offered to the Congress, several years ago, a plan to raise Government salaries to their comparable industry counterpart. The Congress in the Pay Act of 1962 likewise accepted the plan of comparability. The theory behind this comparability salary plan was to equip the Government in its fight for the skilled worker. The Patent Office Society favors and supports salary comparability.

We would be foolish to appear before you to seek salary increases which match what patent practitioners in industry receive with 20 years' experience. We realize that this is out of the question.

However, we do support the principle of full comparability with the Bureau of Labor Statistics reports on which the comparability feature is based.

We understand that President Johnson's desire is to regulate salaries in direct proportion to productivity of the industry involved. During the 1965 calendar year the number of Patent Office professional examiners has decreased slightly from 1964. But during 1965 the productivity of the Patent Office increased by 8.6 percent based upon the number of patent applications upon which prosecution was completed—1965: 97,688 applications completed; 1964: 89,943 applications completed. We do not seek a like percent increase in salaries. What we do seek is comparability for the upper grades, GS–5 through GS–18. Recent newspaper articles and Bureau of Labor Statistics surveys show that the employees in the lower grades are much closer

to the comparability figures than the upper grades. We rely on the statement of John Macy, Jr., of March 7, 1966, before this subcommittee.

We realize that there are various pressures to keep the Government pay raise to a minimum of an overall 3.2 percent because of the Vietnam situation and the current threat of inflation.

What we earnestly ask of you, the Congress, is that you apply the available money for salary increases to those areas which are furthest from the Bureau of Labor Statistics comparability guidelines. We ask you to apply large and significant increases to the salaries of Government employees in grades GS-5 to GS-18. We ask no favoritism, we ask only equity.

It is, of course, axiomatic that a government such as ours must be staffed by the best trained and most efficient persons available. Since a substantial share of these persons are either lost or potentially lost by the Patent Office to private industry primarily due to greater salary prospects, it follows that our Government should meet contemporary salaries.

It is the society's conviction that the Patent Office, as well as other Government agencies, can attract and retain a greater percentage of the skilled professional persons needed only by maintaining a comparable salary scale.

You gentlemen hold the key to the Government's being able to do just that. We urge you to use that key by greatly increasing the salaries of grades GS-5 through GS-18.

Thank you very much for this opportunity to be heard.

Mr. UDALL. Thank you, sir. I think this is a fine statement on behalf of the important Government employees that you represent in your organization.

The gentleman from New York.

Mr. HANLEY. Thank you, Mr. Chairman.

Mr. Millard, I think the facts you have presented here relevant to your case very emphatically point to the need. Your rate of turnover is certainly excessive. There is every indication that this is an area we must concentrate on if we are going to attract the type of people that are necessary to implement the function of the Patent Office.

Again, in view of the turnover rate, I suppose it is somewhat unnecessary to even touch on the retirement proposal.

Mr. MILLARD. Yes, sir, right.

Mr. HANLEY. So with that, I will say thank you.

Mr. UDALL, Thank you, gentlemen. We appreciate your help.

The final witness this morning is Mr. Paul Robbins, executive director of the National Society of Professional Engineers.

STATEMENT OF PAUL H. ROBBINS, EXECUTIVE DIRECTOR, NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS

Mr. ROBBINS. Mr. Chairman, if I might be off the record.

Mr. UDALL. You may.

(Discussion off the record.)

Mr. ROBBINS. On the record now, Mr. Chairman, in the interest of time I will identify myself first, I am Paul H. Robbins, executive director of the National Society of Professional Engineers, with

64,000 members throughout the United States, all of whom are qualified by State law to practice the profession of engineering.

Again in the interest of time, I will just comment on some of our testimony and would like to concentrate on one item I know is of particular concern to the committee.

Mr. UDALL. Without objection, your full statement will be made a part of the record and you may summarize or comment as you see fit.

(The prepared statement of Mr. Robbins is as follows:)

PREPARED STATEMENT OF PAUL H. ROBBINS

Mr. Chairman, I am Paul H. Robbins, executive director of the National Society of Professional Engineers, with headquarters in this city. The society is composed of over 64,000 members, each of whom is qualified to engage in the practice of professional engineering under applicable State engineering registration laws.

The national society appreciates the opportunity to appear before this subcommittee in connection with its consideration of Federal employee pay legislation.

The society believes that the principle of comparability was the most important feature of the Federal Salary Reform Act of 1962, and that the achievement of true comparability should be a primary concern to this subcommittee. Not only is it important in terms of providing equity to Federal employees, but its implementation is essential if the Federal Government is to attract and retain adequate numbers of highly trained engineers and scientists.

At the present time, unfortunately, Bureau of Labor Statistics figures show a considerable gap between the salaries of Federal engineers and those of engineers in the private economy. This gap ranges from 20.8 percent at the GS-5 level, to 8.4 percent at GS-15. The rates proposed by the administration would improve this situation somewhat, as indicated in the chart below, so that the gaps noted above would be narrowed to 18 and 3.8 percent, respectively. The increases proposed would be particularly beneficial in the middle- and upper-grade levels. Because it is these grades which cause the most serious engineering retention problems for Federal agencies, we strongly urge that the sliding scale feature of the administration's proposal be retained.

Engineering salaries—Present and proposed

	1965 industry average	Present average rates for Government engineers		Percent increase needed	Average rates under administration	Percent increase needed
		Amount	Step			
Grade:						
GS-5	$7,500	$6,207	1	20.8	$6,355	18.2
GS-7	8,232	7,304	1	12.7	7,485	10.2
GS-9	9,444	8,241	2	14.6	8,470	11.5
GS-11	11,280	9,879	3	14.2	10,225	10.3
GS-12	13,140	11,723	4	12.1	12,480	5.3
GS-13	15,348	13,815	4	11.1	14,395	6.6
GS-14	17,928	16,204	4	10.6	16,915	6.0
GS-15	20,412	18,825	4	8.4	19,670	3.8

NOTE.—Industry average taken from "National Survey of Professional, Administrative, Technical, and Clerical Pay, February-March, 1964," Bureau of Labor Statistics Bull No. 1469.

Government engineer figures include above-minimum rates authorized by the Civil Service Commission for grades GS-5 through GS-11, under sec. 504 of the Federal Salary Reform Act of 1962.

In reviewing the statement presented before this subcommittee by the Honorable John W. Macy, Jr., Chairman of the Civil Service Commission, we note in addition to pay increase proposals, a number of recommendations concerning fringe benefits. The society concurs in general with Mr. Macy's recommendations concerning Government contributions for health benefits, improved retirement financing, and voluntary retirement at age 55 after 30 years of service.

But there is one provision of the proposed legislation, Mr. Chairman, which the society strongly opposes. That is the proposal to give the Government authority to forcibly retire GS-13 and above employees at age 55 after 30 years of service. While we have no figures on the number of engineers in this age/service bracket, we do know that there are over 27,000 engineers in grades GS-13 and above. We are certain that a significant proportion of this number would be potentially affected by this mandatory retirement proposal.

Mr. Chairman, I can hardly conceive of a proposal more calculated to discourage career thinking on the part of young engineers. I am certain that the members of this subcommittee can appreciate the difficulty in attempting to plan home financing, insurance provisions, and education of children when there is no certainty that retirement at reduced income may not be forced at any time after the age of 55. While we think it is quite commendable for the administration to propose voluntary retirement at this age, we know of no private industrial firm which has adopted mandatory retirement of the type proposed. It appears to the society extremely unwise to give Federal agencies the unrestricted authority to force out professional-level employees at the very peak of their productive capacity.

It is apparent, unfortunately, that the administration is seeking this provision to allow agencies to circumvent the normal civil service job retention rights. It is one thing to allow an agency to withhold a salary step increase from an employee with whom they are displeased. It is quite another to allow him to be summarily and permanently retired against his will with no review or appeal rights. I am sure the members can appreciate what a dangerous weapon this provision would be in the hands of an agency under pressure to bring down its average grade level or to make room for more politically acceptable individuals.

We are particularly concerned with the possible effects of such a provision upon the many Federal engineers who must report to and advise nonprofessional superiors. Not infrequently, professional ethics require engineers to make advisory judgments which may run contrary to a course of action based on nontechnical considerations. I cannot overemphasize the danger of placing our most experienced and highly qualified professional engineers in the position of risking forced retirement as a result of their adopting an unpopular position, as may occasionally be required by the code of ethics. While we certainly believe that Federal agencies must have adequate control over personnel to assure loyalty and productivity, we are wholly opposed to such an extreme approach to this goal.

A last point, Mr. Chairman, concerns the effective date of the proposed pay increase, which we feel should be, at the latest, the first of the next fiscal year. To delay this increase until January 1, 1967, as requested by the administration, would widen the time gap between the Bureau of Labor Statistics survey and the remedial increase to nearly 2 full years. This, we believe, would be a step away from comparability rather than toward it.

Mr. ROBBINS. The first part of our testimony presents some statistics and supports the basic principle of comparability, to which the other witnesses have referred. It indicates a perhaps more distressing situation with respect to professional engineers, particularly because of the critical situation with the retention of younger engineers.

As I am sure the committee is aware, the Civil Service Commission, within the last few days, has adjusted scales in the GS-7 and GS-9 category, because of this very situation. Therefore our table on page 2 merely reemphasizes the critical need for salary adjustments for this group of Government employees.

And particularly we would like to encourage the sliding scale of adjustment, because of the increasingly critical situation in the higher grades, where so many of our competent engineers, of course, now are lodged in the federal system.

We are particularly concerned with this proposed revision on retirement.

I would like to refer to our statement now, beginning about page 3. This proposal is one which we would oppose primarily because we see some serious difficulties particularly again in reference to the professional engineer. These are positions where the individual should

present to the best of his knowledge the analysis as he sees it regardless of the administrative situation. And we can see here the potential of this having a very detrimental effect as to the advice that higher levels of supervision may get on engineering work.

I am certain that the members of the committee can appreciate the difficulty of attempting to plan various aspects of the individual's career if he is always in jeopardy of retirement beyond 55. We think it is commendable for the administration to propose voluntary retirement at this age. However, we know of no private industrial firm which has adopted mandatory retirements at this age.

It appears to the society extremely unwise to give Federal agencies the unrestricted authority to force out professional level employees at the very peak of their productive activity, particularly because, at these levels, their advice is so critical to the final decisions of the Government agency.

It is apparent, unfortunately, that the Administration is seeking this provision to allow agencies to circumvent the normal civil service job retention rights. It is one thing to allow an agency to withhold a salary step increase for an employee with whom they are displeased, it is quite another to allow him to be summarily and permanently retired against his will with no review or appeal rights.

I am sure you can appreciate what a dangerous weapon this could be in the hands of an agency under pressure to bring down its grade level or make room for more politically acceptable individuals.

We are particularly concerned with the possible effects of such a provision upon the many Federal engineers who must report to and advise nonprofessoinal superiors. Not infrequently, professional ethics require engineers to make advisory judgments which may run contrary to a course of action based on nontechnical considerations. I cannot overemphasize the danger of placing our most experienced and highly qualified professional engineers in the position of risking forced retirement as a result of their adopting an unpopular position, as may occasionally be required by the code of ethics. While we certainly believe that Federal agencies must have adequate control over personnel to assure loyalty and productivity, we are wholly opposed to such an extreme approach to this goal.

Mr. Chairman, those are the main points. If you care for me to expand on them, I will be glad to.

Mr. UDALL. Thank you, Mr. Robbins, You have an excellent statement here, and I am sure the points you made will be carefully considered. I won't repeat my comments on the 30-year proposal, except to recognize that the points you have made are certainly valid. Many times a professional engineer must give a professional engineering judgment and not a political judgment and this is a situation which can occur, as your statement notes.

The department head is under political or congressional pressure to determine that a water project, a research project, or some other technical project is feasible and badly needed and the professional engineer honestly thinks it is not and has to say so. I can understand these dangers.

At the same time, this is a very limited plan.

You noted that putting it into effect might have problems with recruitment and retention of valuable people, but even if the proposal

were in effect, it would apply only to GS–13 and above which would be a very small proportion of the total Federal employees.

Secondly, this threat, as you described it, hangs over the man's head only after he has had a full 30-year career in the Government; only at this point could it be done. Either the man is a qualified, excellent professional engineer, and he is retired under this plan or he is not.

Now if he is—with the salary scales which you indicated in private enterprise, and the interconnection that we have today between private enterprise and the Government—he would not only have his retirement, but I suspect he would be snapped up by a private engineering firm. If he is not the outstanding or the well qualified person we want in the Federal service, then certainly the Government ought to have, in my judgment, the management tool taken for granted in private enterprise.

If you were operating a large engineering establishment, you would be outraged if someone suggested that you had to keep your key advisers beyond age 55 and 30 years of service regardless of how many bright young men you might want to advance.

It seems to me that in the whole civil service system we have lost sight of some basic things. The whole idea of civil service was to get away from the spoils system, and this was good. It is wrong to fire people for political reasons. We need good career people in the Federal Government and I strongly support the civil service system.

But I have a feeling that maybe the pendulum has gone a little too far when once a man gets a job, he assumes for the next 40 years he is entitled to regular pay increases, advancement, promotion to positions of responsibilities, regardless of the enthusiasm, vigor, or initiative he brings to his job.

I don't advocate that we give Federal agencies the same management tools of private enterprise. We obviously can't and won't, because we would get something like a political system again. But I can see strong reasons for giving the Federal agencies this very small management tool which in my judgment would be selectively used and would apply only in a small number of cases.

Mr. ROBBINS. I am sure we subscribe to your feeling that there must be the management tool of assuring productivity, not merely sitting in a chair.

I think our question is: Is the retirement area the place it should be?

Of course we recognize that we are handicapped at the moment with not having the specifics.

You spoke, in replying to one of the previous witnesses, of adequate controls. We have not seen these, of course, and it may be some system could be worked out on this. But certainly the blanket proposal of almost arbitrary retirements on the part of a supervisor is one we feel should be viewed very cautiously.

Mr. UDALL. Mr. Hanley.

Mr. HANLEY. Thank you, Mr. Chairman.

Mr. Robbins, I too thank you for your very fine statement.

With respect to the retirement aspect of it, for instance if a provision for review and appeal were incorporated into the proposal, would this make the program somewhat more palatable as far as your group is concerned?

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Mr. ROBBINS. It would certainly make it more palatable. Whether or not we feel adequate review was established we could determine only when the details are written. But it would make it much more palatable.

We are concerned at the moment only with the blanket authority.

Mr. HANLEY. I think in view of the previous testimony of Mr. Lasseter and our chairman, we have fairly well covered the point and the proposal with respect to review and appeal, and it appears to be a commendable one and it would be apparent to me if we move in the direction of enacting this legislation, something of this nature would be incorporated in it.

Mr. ROBBINS. We will look forward to seeing the proposal.

Mr. HANLEY. Thank you.

Mr. UDALL. Thank you very much. We appreciate your help this morning.

This concludes the testimony scheduled for today. The subcommittee will meet again on Wednesday in this room at 10 a.m., and we stand adjourned until that time.

(Whereupon, at 11:35 a.m., the subcommittee was adjourned, to reconvene at 10 a.m., on Wednesday, March 23, 1966.)

FEDERAL SALARIES AND FRINGE BENEFITS

WEDNESDAY, MARCH 23, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMPENSATION OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 9:30 a.m., in room 215, Cannon House Office Building, Hon. Morris K. Udall (chairman of the subcommittee) presiding.

Mr. UDALL. The committee will come to order for the further consideration of Federal salary legislation.

The first two witnesses scheduled this morning are Members of the Congress. In the interest of time, I think we should begin with Mr. Dorson's testimony with the privilege of interrupting him at such time as our colleagues in Congress arrive. Would this be agreeable to you?

Mr. DORSON. Mr. Chairman, I am agreeable with anything that will serve the purposes of the committee.

Mr. UDALL. Thank you. We are happy to have you here this morning.

STATEMENT OF C. L. DORSON, PRESIDENT, RETIREMENT FEDERATION OF CIVIL SERVICE EMPLOYEES OF THE U.S. GOVERNMENT

Mr. DORSON. Thank you, sir. I have a prepared statement, which with your permission, I will read. If you have questions afterward, I will be happy to try it.

Mr. UDALL. This will be entirely satisfactory. You may proceed.

Mr. DORSON. Thank you. Mr. Chairman and members of the subcommittees, my name is C. L. Dorson. I am president of the Retirement Federation of Civil Service Employees, an organization of approximately 90,000 members, most of whom are currently employed by the U.S. Government.

We are primarily interested in the recommendations of the President of the United States and the Cabinet Committee on Federal Staff Retirement Systems as they relate to retirement benefits for Federal employees. With your permission, in the absence of specific legislation, we should like to address ourselves to these recommendations as they have been presented and ask that we be given an opportunity to speak to the specific terms of such legislative proposals as you may consider in public hearings at a later date.

Without any intention of being unkind to the authors thereof, we can see no necessity for the proposed statement of retirement policy regarding the Federal staff retirement systems. The civil service

retirement system has progressed fairly well for more than 40 years without the encumbrance of a declared policy and we do not believe the adoption of such a policy now would serve any useful purpose.

Our observations lead us to the conclusion that the policy of the Congress and the administration, at any given time, is what the Congress and the administration determine it then to be. The benefits established by the Civil Service Retirement Act provide the only meaningful statement of retirement policy and we suggest that it continue so.

The Cabinet Committee has proposed and the President has recommended that the contributions of Federal employees toward the cost of their annuities be increased, by 0.5 percent, to 7 percent of basic salary effective January 1, 1967. Even if we accept the cost estimates of the Cabinet Committee as being reasonably accurate, and we do not believe they are although we are not prepared to disprove them, the cost to the employee is far greater than warranted by the benefits recommended for enactment at this time.

The Cabinet Committee, in the table of cost data appearing on page 18 of its report, indicates that the cost to employees for the entire package of its retirement recommendations is estimated at $49.5 million or 0.308 percent of payroll. If we subtract the cost of proposals not recommended to become effective until January 1, 1968 ($13.2 million), the employee's share of the cost of the remainder is $36.3 million annually or 0.225 percent of payroll. Thus, even on the basis of the Cabinet Committee's estimated value of the proposals, the price of the product offered the employee on January 1, 1967, is shown to be far greater than can be reasonably justified. If the employee is to be charged for the entire package beginning on January 1, 1967, then all of it should be effective at that time.

We are even more concerned about the proposal to write into the Civil Service Retirement Act authority for the Civil Service Commission to increase the contributions of employees at any time they think it necessary. The Commission would, in such instances, be the prosecutor, judge, and jury with the employee, or more appropriately his pay check, being subjected to the resulting penalty without recourse.

Our organization is very much opposed to the granting of such authority to the Commission or any other agency. We think the fixing of costs for the retirement benefits of Federal employees should remain in the hands of the Congress.

We favor the proposal to amend the Civil Service Retirement Act so as to provide employees the option of retiring at age 55 after 30 years' service without reduction in annuity. In fact, we have sought the liberal option of retirement after 30 years' service at any age for many years.

As you know, the employee, and only the employee, now has the option of retiring at age 55 after 30 years' service. Therefore, all that is actually proposed is the removal of the present penalty which is 1/12 of 1 percent for each full month under age 60. In return for the removal of this penalty, it is proposed that the employee surrender his right to tenure and, in addition, pay half of what we believe to be a highly inflated estimated cost.

We are, most emphatically, opposed to the proposal to grant the Government the right to force employees to retire simply because they have 30 years' service, have reached age 55, and have attained a position equivalent to grade GS-13 or higher. The enactment of this proposal would, in our opinion, mean the beginning of the end of the merit system and a return to the spoils system. As proposed, the option would allow the forced retirement of the employee without reason, explanation, or right of appeal. We are sure you can foresee, as can we, some of the pressures to which he might be subjected without defense. We think the employee who has rendered 30 years of honorable service deserves a better fate.

We are aware that in any large group of employees there may be some who, for various reasons, have become disabled, inefficient, delinquent, or aged. By law and regulation, the tools for removal of such employees are presently available to each agency. Further encroachment on the rights of employees, at any level, is not justified.

We endorse the proposal to provide Federal employees the option of retiring at age 60 with 20 years' service. The proposal would provide an interim step in the orderly progression of retirement options, although very few employees would find it attractive. An annuity only slightly more than one-third (36.25 percent) of average salary will be a luxury not many employees can afford.

The proposal to guarantee that retirement, disability, and survivor benefits be at least equal to benefits payable under the social security system seems desirable as we understand the terms of the Cabinet Committee's recommendation. However, these minimums would not apply to the employee until he reaches age 65 nor to the childless survivor until age 62. Under such conditions, they are of small, if any, benefit to the disability annuitant, to employees retiring early because they are involuntarily separated, or to their survivors without dependent children.

Our organization recognizes the long existing need to provide some form of protection for Federal employees and their dependents who may not, under certain unfortunate circumstances, qualify for benefits under either the civil service retirement or the social security systems. It appears that the proposal of the Cabinet Committee, as recommended for enactment by the President, to transfer the service credits of employees who die, become disabled, or leave Federal employment before becoming eligible for civil service retirement benefits to the social security system, is the only effective means of bridging the major existing gap in the protection of employees and their families. Therefore, we endorse the proposal for the transfer of service credits.

Our organization has long been concerned over the unchecked growth of the unfunded liability of the civil service retirement and disability fund. Each annual report of the Board of Actuaries of the civil service retirement system has pointed to this ever-increasing liability, currently estimated at about $40 billion, and urged that steps be taken to halt its growth. We have joined the Board of Actuaries and others in urging that a sound method of financing the system be established and followed.

Authoritative sources now estimate that, unless a better method of financing than currently required by law is initiated, within 25 years

the fund will be depleted and additional direct appropriations of $2.6 to $3.6 billion annually will be required to merely meet obligations of the fund.

We are not sure that we understand exactly how the funding method proposed by the Cabinet Committee and recommended by the President will work, nor whether it will work, in solving the fund's present financial problems. It does appear that the proposed method will do little, if anything, to prevent the necessity for appropriations nearing $4 billion with a few years. However, we would favor the enactment of any reasonable solution which will not saddle the Federal employee with more than his fair share of the cost.

A number of changes, in fact the largest number, are recommended by the President and the Cabinet Committee for enactment, as amendments to the Civil Service Retirement Act, now with an effective date of January 1, 1968. Most of these proposals are seemingly innocuous. Others have a character which might be described as obnoxious.

The first of these concerns limiting the average salary, on which annuity is based, to basic salary earned before age 65. The thing we find objectionable in this is that the employee who continues in service would still be subject to retirement contributions at the full rate on the salary earned even after it ceases to be creditable. We think that, if the average salary is to be so limited, contributions should be required based on a rate no greater than the highest salary earned prior to age 65.

We do not oppose the lowering of the mandatory retirement age to 65 years from the present 70. However, it does appear that reduction of the service requirement in such cases will result in hardship when the employee has 5, but less than 12 years' service.

If the employee has less than 12 years' service when retired, except for disability, he loses both his life insurance and health benefits coverage. For this reason, we urge that the service requirement be raised to 12 years for mandatory separation at age 65 or later.

We favor the proposal to provide the right to elect an annuity for the surviving spouse, by an employee who retires for disability, based on the full amount of his annuity. Presently, the Civil Service Retirement Act excludes the use of any annuity over and above the earned rate of the employee as a base for the election of an annuity for his spouse. Removal of the prohibitive clause in the four subsections (a), (b), (c), and (g) of section 9 of the act will do much to eliminate hardship.

We also strongly favor the proposal to provide annuities, under section 10(c), to the widows and dependent widowers of employees who die in service, on the same basis as the survivors of employees who retire for disability. It could provide a significant increase to the survivors of employees who die in service at an early age. However, it will be of little help to the survivors of employees who die at advanced age with short service.

We are less than enthusiastic over the proposals submitted by the Cabinet Committee as they related to the Civil Service Retirement Act. The cost is, we think, unreasonably high for the benefits offered. However, with the changes we have suggested and for which we ask your support, we would not object to their enactment.

Mr. Chairman, we are greateful to the members of the subcommittees for their interest and effort in behalf of Federal employees and appreciate the opportunity you have provided for the expression of our views.

Mr. UDALL. Our colleague, Mr. Beckworth. is here and would like to be recognized.

Mr. BECKWORTH. Mr. Chairman, I certainly do appreciate the favor that you have shown me in this connection. All the time I have served on this committee, I have been very interested in the situation that confronts many of the retired people, and certainly feel that not enough attention has been given by our committee of the Congress to certain aspects of the problems. That is no reflection on anyone. We sometimes don't have as much time to study these things and delve deeply into them as we need, but I hope that we can, as a subcommittee and as a committee, give additional attention, to the plight of some of our retired people. As for me, I certainly want to do all I can to help them.

I would like to have my remarks in the record at this point.

Mr. UDALL. The gentleman will have that permission.

The chairman will state that of all the members of this committee, I don't think there is one who has shown greater diligence or interest in the improvement of the retired employees, nor is there as greater friend of the retired Federal employees.

Mr. BECKWORTH. Thank you very much, Mr. Chairman. With that, I will leave.

(The following statement was submitted for the record:)

STATEMENT OF HON. LINDLEY BECKWORTH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman, my name is Lindley Beckworth, Representative from Texas. I am greatly interested in the presently proposed "package bill" on general salary and retirement legislation and this should include something worthwhile for presently retired Federal employees and their survivors.

So far as I can see or learn this proposed package includes very little for presently retired Federal workers. These retirees, especially those of a few years ago have at best but short remaining careers. Many improvements have been made to the retirement laws. Most of these though have been for the benefit of future retirees.

Many disparities now exist in the retirement laws. Many of the older retirees are paying up to 1,000 percent more than current retirees to protect their spouses. Why?

Here is an important improvement that can be made. Let's include in this pending "package bill" a recomputation of the cost of providing the survivor annuity. Let's give all retirees back of the 1962 formula of 2½ percent a recomputation.

These facts spell out the need for parity.

The many persons who retired before 1956 are still suffering annuity reductions up to 25 percent in order to provide survivor benefits for their spouses, while persons retiring more recently may provide similar benefits by deductions of only 2½ percent.

Survivors of former employees who retired before October 11, 1962, cannot receive more than half of the annuities paid to their spouses, but survivors of those who retired on or after that date receive 55 percent of the basic annuity which is 10 percent greater.

Congress should pass legislation (1) requiring the recomputation of annuities of all persons who retired before October 11, 1962, and who elected to provide survivor annuities, to give them the benefit of the more liberal formula authorized since that date of 2½ percent on up to $3,600 of annuity, and 10 percent on the remainder; and (2) the recomputation of all survivor annuities of spouses of

former employees who are now receiving or under present law would receive less than 55 percent of the annuities of their spouses, to 55 percent of the annuities of such retirees at the time of death.

Thank you for allowing me to make this statement.

Mr. UDALL. Thank you very much, Mr. Dorson, for letting us interrupt. I think your statement is a keen analysis of these proposals, and I am sure it will be helpful in our deliberations.

Mr. DORSON. Thank you, sir.

Mr. UDALL. The gentleman from New Jersey?

Mr. DANIELS. Thank you, Mr. Chairman. Mr. Dorson, I first want to apologize for being late. It was unavoidable, inasmuch as I had to attend a breakfast of the New Jersey Letter Carriers Association, and they called upon each of the Congressmen in attendance to make a speech. With 15 Congressmen talking, it is pretty surprising that I arrived here this early.

Mr. UDALL. There are a few men from New Jersey, except for a Member here, who are noted for the brevity of their statements.

Mr. DANIELS. Mr. Dorson, I heard the latter part of your statement and I looked briefly over the first part, and I want to assure you that your views will be given very careful study and consideration by this committee.

Mr. DORSON. Thank you.

Mr. UDALL. Thank you, Mr. Dorson. We appreciate your attendance here this morning.

We will now proceed to the testimony of Mr. Clarence Tarr, president of the National Association of Retired Civil Employees. I see that you are accompanied by a number of able and outstanding members of your staff.

Mr. TARR. Yes, I am, Mr. Chairman.

Mr. UDALL. It is apparent that you are going to need a lot of backup.

STATEMENT OF CLARENCE M. TARR, PRESIDENT, NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES; ACCOMPANIED BY GEORGE L. NICHOLS, FIRST VICE PRESIDENT AND LEGISLATIVE REPRESENTATIVE; J. O. BELLENGER, SECOND VICE PRESIDENT; AND JOHN A. OVERHOLT, LEGISLATIVE COUNSEL

Mr. TARR. I am accompanied this morning by Mr. George Nichols and Mr. J. O. Bellenger, vice presidents, and Mr. John A. Overholt, legislative counsel.

Mr. UDALL. We are happy to have you gentlemen. I might say that your organization has been most helpful to this committee.

Mr. TARR. Mr. Chairman, we thank you for this opportunity to appear and present the problems of retired civil employees and their dependents and survivors. We are most grateful to you for your courageous action last year in approving a bill which gave a much needed annuity increase to retirees and survivors on the civil service retirement rolls and revised the plan of automatic cost-of-living increases to make it more responsive in meeting the costs of inflation. We came to you then as the "forgotten people" in the age of the Great Society and in some respects we feel that, except in the Halls of Congress, we are still very much the "forgotten people."

For many years, we have advocated the principle that benefits for active employees and their dependents and survivors and benefits for retired employees and the survivors should be considered at the same time, on a package basis. We have argued, as it is argued today, that the benefits provided to former employees and their dependents and survivors are part of the fringe benefits for the whole working force. There must be a correlation between benefits provided to those who have formerly retired and benefits promised employees who are to retire in the future. Otherwise, how could present employees be assured that they will not be forgotten as soon as they leave the working force?

Today we are seeking a correlation of survivor benefits under the Civil Service Retirement Act. Prior to April 1, 1948, there was no simple procedure for a retiring employee to provide survivor benefits for his spouse. There was an option for a joint-survivor annuity to be computed on an actuarial basis but it was so complicated that few retiring employees used it. Also, there was no provision for an annuity for the widow of an employee who dies in service.

On April 1, 1948, Public Law 426, 80th Congress, became effective, and permitted a retiring employee to elect a survivor annuity for his spouse by taking a reduction of 10 percent in his annuity, plus a reduction of three-fourths of 1 percent for each year that such spouse was under the age of 60, the total reduction not to exceed 25 percent. The survivor annuity was fixed at 50 percent of the unreduced annuity of the retiree. This law also granted a survivor annuity to the widow of each male employee who died in the service after service of at least 5 years, computed on the basis of half of the amount of the employee would have received if retired on full annuity at the time of his death. Also, this law granted either a free survivor annuity, or an annuity increase of 25 percent—not to exceed $300—to each married person previously retired. The survivor annuity was set at half of the annuity of the retiree, limited to $600 per annum. Two years later, Public Law 601, 81st Congress, granted survivor annuities to those who had chosen annuity increases and vice versa, thus assuring survivor annuities to all married retirees prior to April 1, 1948, who were living on that date. By a later law in 1958, the widows of pre-1948 retirees who had died before April 1, 1948, and the widows of employees who had died with 5 years or more of service before April 1, 1948, were granted annuities.

Under Public Law 310, 81st Congress, after September 30, 1949, the cost of a survivor annuity was modified by requiring a reduction of only 5 percent on the first $1,500 of original annuity, plus 10 percent on the remainder, retaining the three-fourths of 1 percent reduction for each year the spouse was under 60 years of age, and with the maximum reduction limited to 25 percent. This law was not made retroactive to apply to persons previously retired.

Public Law 854, 84th Congress, made a drastic change in survivor annuities, effective October 1, 1956. Thereafter, a retiree could elect a survivor annuity based only on a portion of his annuity, and suffered a reduction of only 2½ percent on the first $2,400 of such portion, plus 10 percent of the remainder, if any. The survivor annuity was fixed at half of the amount of annuity designated by the retiree.

Extra deductions based on the age of the spouse were discontinued. This enabled a retiree to provide a survivor annuity of $1,200, for a reduction of only $60 per year in original annuity. The provisions of this law were not made retroactive to apply to persons previously retired.

The latest change in laws governing survivor annuities was made in Public Law 87–793, effective October 11, 1962, when the amount subject to reduction at 2½ percent was increased from $2,400 to $3,600, and the amount of the survivor annuity was increased from 50 to 55 percent of the base. This enabled a retiree, after that date, to elect a survivor annuity of $1,980 per year at a cost of only $90 per year. The provisions of this law were not made retroactive to apply to persons previously retired.

During these years since 1948, both salaries and annuities have increased many times, but the increases in salaries have been much greater than the increases in annuities. As a result, the average annuities of persons retiring today are much higher than the average of present annuities of persons retired some years ago.

Because changes in survivor provisions of the law were not made retroactive to persons previously retired, we now find that persons retired prior to October 1, 1956, are suffering the loss of up to 25 percent of their annuities in order to provide survivor annuities of only 50 percent of their unreduced annuities, while persons retired since October 11, 1962, can provide survivor annuities up to $1,980 per annum for a reduction of only 2½ percent of $3,600, or an annual cost not to exceed $90. Even where the age factor did not apply, the man who retired in 1948 who has annuity enough to provide his wife with a survivor annuity of $1,800 is now suffering a reduction of $360, 10 percent of $3,600. The 1948 retiree pays four times as much as the 1963 retiree, but the 1963 retiree can provide 10 percent more in survivor annuity. The retiree in 1950 who has a large enough annuity to provide a survivor annuity of $1,800 is suffering an annuity reduction of 5 percent on $1,500, and 10 percent on $2,100, a total reduction of $285, more than three times the amount paid by the 1963 retiree, and can't provide as much for his spouse. The 1957 retiree who has sufficient annuity to provide a survivor annuity of $1,800 for his spouse, is suffering a reduction of 2½ percent on $2,400 and 10 percent on $1,200, a total of $180. His cost is double that of the 1963 retiree, who can provide 10 percent more in survivor annuity for only $90 per year. The persons receiving the least annuities have to pay the most for survivor protection, and their survivors, who can only look for a percentage of small annuities, are further penalized by a lower percentage formula.

There was a similar problem under the Foreign Service retirement system. For many years prior to 1960, a Foreign Service officer was permitted upon retirement to designate his wife to receive a survivor annuity of half of his unreduced annuity, but he had to elect to receive for his lifetime only 75 percent of this unreduced annuity. He had to pay 25 percent of his annuity to provide his wife with a survivor annuity of 50 percent. In 1960, a new law changed this system and permitted a Foreign Service retiree whose annuity would be at least $4,800 to provide his wife with a survivor annuity of $2,400 per year,

at a cost of only $300 per year—2½ on $2,400, and 10 percent on $2,400—which corresponded to the formula in effect at that time under the civil service retirement system. Also, this law set a minimum survivor annuity of $2,400 for the Foreign Service retirement system. The law was not made retroactive for persons previously retired.

Public Law 89–308, approved October 31, 1965, eliminated these inequities from the Foreign Service retirement system. From now on, the annuities of former retirees who elected survivor annuities at the cost of a loss of 25 percent of their annuities, will be recomputed on the more liberal 1960 formula of $300 per year to provide survivor annuities of $2,400. Also, survivor annuities which were under $2,400 per annum are not increased to the new minimum of $2,400 per annum. In addition, Public Law 89–308 gives a new opportunity for former retirees who did not elect survivor annuities and pay back the costs for prior years by monthly installments of $25 deducted from their annuities. This law is directly in point for the civil service retirement system.

There was discrimination against older retirees in the matter of costs imposed for the privilege of providing survivor annuities in the Foreign Service retirement system as in the civil service retirement system. It has been eliminated in the Foreign Service retirement system and should be eliminated also in the civil service retirement system. There was discrimination against survivors of older retirees in the Foreign Service retirement system as in the civil service retirement system. It has been eliminated in the Foreign Service retirement system and should also be eliminated in the civil service retirement system.

Costs are always an important item for consideration in connection with proposed legislation. We cannot give any official figures, because we do not have the basic data which would be required. However, we can present some estimates based on the latest figures we have been able to obtain from the Civil Service Commission.

As of June 30, 1965, there were 171,577 widow and widower survivor annuitants on the annuity rolls, of which 72,955 were widows and widowers (only 94 widowers) of employees who died in service. There were 157,924 widow and widower survivors of former employees who died or retired prior to October 11, 1962, and the total annuities paid to them were reported as $13,125,220 per month, or $157,502,640 per year. This indicates that the initial cost of bringing survivor annuities under the civil service retirement system up to the present standard of 55 percent of base annuities would be 10 percent of the present total or $15,750,264 per annum. This cost might rise slightly as new survivors are added to the rolls, partially offset by present survivors who die, but will reduce annually before long, and ultimately pass out altogether.

Costs of the recomputation of reductions in annuities of retirees are more difficult to estimate, but there are some figures to go on. On June 30, 1965, there were on the rolls 7,325 persons who retired in fiscal year 1948, 8,423 who retired in fiscal year 1949, and 9,693 who retired in fiscal year 1950. From this we estimate that there are now approximately 12,000 former employees who retired between April 1, 1948, and September 30, 1949. This includes men and women and persons who retired under conditions which prevented them from

designating their spouses to receive survivor annuities. Also, the high cost at that time deterred many from electing survivor annuities. Perhaps one-fourth of these retirees elected survivor annuities, and the probable average increase they would receive from recomputation would be $120 (average annuity $1,800, and average reduction changed from $180 to $60). This would make the cost of adjusting this group $360,000. From October 1, 1949, to October 1, 1956, there were 93,601 retirees who were still on the rolls on June 30, 1965. It is not likely that more than one-third of these elected survivor annuities, and we estimate the average to be restored to each through recomputation at $75 (average annuity $2,000, and average reduction changed from $125 to $50). This would make the cost of adjusting this group $2,340,000. Between October 1, 1956, and October 11, 1962, there were approximately 225,736 retirees who were on the rolls on June 31, 1965, and perhaps 40 percent of these elected survivor annuities, and we estimate the average to be restored through recomputation at $45 (average annuity of $3,000 designated as base for survivor annuities, and average reduction changed from $120 to $75). This would make the cost for this group about $4,063,248. The total cost of the recomputation of annuities would be about $7,763,248.

Under our estimates, therefore, the total cost of eliminating these gross inequities in the civil service retirement system would be about $23,500,000 and would add less than 5 percent to the package bill proposed by the President. This seems to be a small price for eliminating these great inequities.

We have been waiting a long time for adjustments to eliminate these inequities in the civil service retirement system. At our request, bills to correct these inequities have been introduced by numerous Congressmen during recent years. It seems that there is always some other legislation that is given the preference, and the correction of these inequities had to be delayed.

Last year, we were encouraged when we had an invitation to testify before the President's Cabinet Committee on Federal staff retirement systems. The invitation requested us to concentrate on two or three of the most important changes we felt to be necessary in the retirement system, and we concentrated most of our efforts on the inequities that needed to be corrected in the costs and amounts of survivor annuities. We were told at that time that the committee's report would be available by December 1, 1965, and we waited eagerly and hopefully for that report. In the meantime, Public Law 89–308 was approved on October 31, 1965, correcting most of the survivorship inequities in the Foreign Service retirement system. It was agonizing to see the Cabinet Committee's report delayed on December 1, 1965, delayed further on January 1, 1966, still missing on February 1, 1966, and finally postponed beyond March 7, 1966. When we were finally able to obtain a copy, we searched through it for recommendations that would apply to us, and searched in vain. Our plea for the correction of survivor inequities was not even mentioned. The only recommendation concerning present retirees and their dependents and survivors was commendation for the new cost-of-living increase legislation approved by the Congress last year. There was one other recommendation that might apply to those now receiving survivor annuities and to future survivors of present retirees,

which would permit them to remarry after age 60 without loss of their survivor annuities, but it is not definitely indicated in the report that this privilege would apply to present survivors.

We want to back up our President in his efforts to keep expenses under control during the difficult period when we must carry out military operations in southeast Asia. We commend him for his efforts to bring about comparability in salaries as compared with private industry for the great majority of employees, and holding the line against the threats of inflation at the same time. Our people know what inflation is—they have lived with if for many years. Although we would be assured of another increase sooner if runaway inflation were to come, we don't want the increase that way. It is better for us to keep up the purchasing power of our dollars than it is to have the dollars increased only to fall short again by the time we receive the increase. So we can speak for all retirees and their dependents and survivors when we declare in favor of the President's campaign against inflation. At the same time, we do not think that adding 5 percent to the employee and retiree benefit package, only to correct gross inequities, would contribute to inflation.

Furthermore, we point to one statement in the report of the President's Cabinet Committee on Federal Staff Retirement Systems, that such systems should be equitable and just. We cannot see anything equitable or just in the requirement that those who retired after dedicated careers years ago when salaries were smaller must now continue to pay up to 10 times as much for survivor protection as compared with persons retiring today, and still be unable to provide as high a percentage of survivor benefits. We cannot see how it is equitable or just to correct inequities in the Foreign Service retirement system. Equity and justice should never be denied because costs are involved, but here we find that the costs are very moderate, and we do not see any reason for further delay of these necessary corrections.

We plead for provisions to be incorporated in the bill that you will report out after these hearings (1) to require the recomputation of annuities of all retired employees who retired on or after April 1, 1948, and prior to October 11, 1962, and who elected annuity reductions in order to provide survivor annuities for their spouses, under the more liberal formula enacted in section 1103 of Public Law 87-793, which is now applied to the annuities of employees who retired on and after October 11, 1962, and (2) to increase by 10 percent the annuities of spouse survivors of all former employees who retired prior to October 11, 1962. These two provisions would go a long way to establish equity and justice of survivor annuities and costs in the civil service retirement system, and with the Foreign Service retirement system.

Thank you for this opportunity to appear. We will be glad to try to answer any questions that you may have.

Mr. UDALL. Thank you, Mr. Tarr, for a very hard-hitting statement. I can see that you and your staff have put a lot of work and effort into the preparation of this.

I think you have put your finger on the facts and figures to justify some necessary inequitable adjustments in the retirement system.

I am sure that this statement will be something all of us will want to consider and keep, and it will be a most helpful addition to the record of these hearings.

The gentleman from New Jersey?

Mr. DANIELS. Thank you, Mr. Chairman. Mr. Tarr, I want to commend you and your association for having done your homework in your study and analysis of the retirement and annuity legislation, which exists on the books today, and in pointing out to us the inequities that presently exist.

I am going to forgo asking any question, but wish to assure you that your views will be given very serious study and consideration. The reason I am forgoing asking any questions is because I must attend another very important meeting of another subcommittee of the full committee.

Mr. TARR. Thank you, Mr. Chairman.

Mr. UDALL. The gentleman from New Jersey has certainly done more toward the correction of inequities for Federal retirees in the last several years than any Member of Congress.

Mr. DANIELS. Again, Mr. Chairman, thank you for your kind words.

Mr. TARR. Since we prepared our statement, we have a memorandum here furnished by Mr. Olsen, where the Civil Service listed the probable costs. We stated we thought the cost would be in the neighborhood of $23 to $25 million, and the Civil Service stated that it will be approximately $26 million.

Mr. UDALL. Would you like to have that letter included in the record?

Mr. TARR. Yes, sir.

Mr. UDALL. Without objection, it is so ordered.

(The above-mentioned document follows:)

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON RETIREMENT, INSURANCE, AND
HEALTH BENEFITS OF THE COMMITTEE ON
POST OFFICE AND CIVIL SERVICE,
Washington, D.C., March 22, 1966.

Memo to Congressman Arnold Olsen.

In compliance with your request of March 21, 1966, relative to the costs of H.R. 2645, the following information has been obtained from the Civil Service Commission:

Costs in millions

	1st year	Total
Sec. 1(a). Recomputation of benefits of employee-annuitants currently on rolls	[1] 13.0	112.0
Sec. 1(b)(1). Recomputation of benefits of survivor-annuitants currently on rolls	[2] 12.7	128.0
Sec. 1(b)(2). Increase in benefits to surviving spouses of annuitants who die in future	[3] .5	115.7
Total	26.2	355.7

[1] Will decrease as retirees die.
[2] Will decrease as survivors die.
[3] Will increase as survivors enter rolls.

These figures, of course, do not include costs involved if the bill were enlarged to cover survivor benefits gratuitously awarded, and which were not provided by an election by the retiree.

Sincerely yours,

RALPH J. DEVLIN, *Staff Member.*

Mr. UDALL. The gentleman from North Carolina?

Mr. BROYHILL. I don't have any questions. I would just like to say that this is the most complete statement on civil service retirement that I have seen. I want to compliment you on this. It is clear; it is to the point; and is understandable.

Mr. TARR. Thank you.

Mr. BROYHILL. In many of these statements you see on retirement, you just get lost and can't follow them.

Mr. UDALL. This is a very comprehensive summary and review of all the problems. I think you have done a real service to us in compiling this statement.

Mr. TARR. Thank you, again, Mr. Chairman.

Mr. UDALL. The gentlemen from Alabama.

Mr. BUCHANAN. Mr. Tarr, I want to join in thanking you for this excellent statement. As you know, I have introduced legislation to accomplish this which you request, and you may rest assured that whatever lies within my meager power to add or to detract from the workings of the committee will be done toward the accomplishment of this request and its incorporation in the legislation this year.

Mr. Chairman, it seems to me that not only did Mr. Tarr make an excellent case but a very valid case. The facts are here and they are inescapable.

Federal retirees have a unique problem, because they are totally dependent on action of this Government. They can't receive social security; they can't receive the benefit of private retirement plans from some other outside private corporations where others might work; they are totally dependent on the actions of this Government, and therefore have a unique problem in this area of retirement income.

We have a unique responsibility to them as their employers, and it seems to me that this Government has a unique responsibility. We have a clear precedent for correcting the inequities that have been pointed up so clearly here in the Foreign Service retirement legislation, which was passed last year.

The objections that I have heard have to do with the cost. We have seen that, according to the civil service administration itself, these costs are minimal, considering that this is a government which spreads its charity to the four winds and which has demonstrated great and laudable concern for the needs of people anywhere and everywhere. I think the amount of money that we have invested in a multitude of other ways, and in people toward whom we have a much less direct and clear responsibility, is an indication that we ought surely to be able to spend this relatively small amount to correct clear injustices and clear inequities on behalf of people for whom we are directly and completely responsible. So I think the cost is not a legitimate argument against this thing.

The recomputation problems have been mentioned as some great difficulty here, but, in a computerized government in the electronic age, I can't believe that these simple formulas would be difficult to achieve. Indeed, I believe, if I had a high school mathematics class and a couple of dozen pencils, I could get it done myself. Consequently, I can't see any valid reason why this shouldn't be incorporated in legislation passed this year. You gentlemen have my assurance that I will do everything in my power to see that this is the case. I want to thank you.

Mr. TARR. Thank you, Mr. Buchanan. We are certainly grateful for the help you have given us in the past and for these kind statements this morning.

Mr. NICHOLS. Mr. Chairman, I want to say that, in the 1st session of the 89th Congress, approximately 25 bills were introduced in the House and several in the Senate.

Mr. UDALL. The gentleman from Alabama is very persuasive.

We will now hear from our colleague, Mr. James G. Fulton, a Member of Congress from Pennsylvania.

STATEMENT BY HON. JAMES G. FULTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. FULTON. Mr. Chairman, I am most grateful to you and the members of your subcommittee for giving me the opportunity of appearing here again this year. I strongly support legislation that will achieve for our dedicated Federal employees full pay comparability with their counterparts in private industry.

I believe you will recall that I have been appearing regularly before this committee every year, and have favored each year the comparability principle which was enacted in 1962. Last year this outstanding committee reported, and the House overwhelmingly passed, a bill that went far toward achieving up-to-date pay comparability for all Federal workers. Unfortunately, in the closing hours of the session last year the House was forced to recede from its earlier action and we had to accept the watered-down version of pay increases, as handed to us by the other body. Consequently, our fine postal workers and Federal employees, who must look to this Congress for their economic welfare and progress, again have found themselves short changed with the comparability principle.

You will recall, also, the many promises that were made last year, both on the House floor and in the other body, that this year things would be different and that early action would be taken to provide the necessary salary adjustments that would bring all our postal workers and Federal employees up to full comparability.

I submit to you, Mr. Chairman, that now is the time when we here in this Congress must honor not only our commitments of last year, but we must also honor and give real meaning to the legislative commitment of full comparability that this Congress enacted in 1962. Congress made the solemn promise of real comparability, and I intend fully to live up to this promise and basic commitment, as a matter of fairness and integrity.

I simply cannot support any position other than full comparability. I am vigorously opposed to requiring Federal employees to help finance our tremendous defense effort and all other vast Federal spending programs by requiring them to work for wages below those being paid in private industry today.

I discard completely the notion that the proposed 3.2 percent arbitrary wage-price guidelines should apply to a group of Government employees who are only attempting to catch up to the wage levels currently being paid for similar types and levels of work in private industry. If any such guidelines are to be applied, they should be imposed only after comparability is achieved.

Mr. Chairman, I sincerely feel that the very least Congress should do this year is to grant our good postal workers and Federal employees the minimum of a 7-percent wage and salary increase. I repeat that we in Congress have a deep and a binding commitment to our U.S. postal workers and Federal employees. We must discharge our obligation as promptly as possible, and the time is now.

With your permission, Mr. Chairman, I would like to quote from a letter I recently received from Mr. Mike Mlay, 57 Sampson Avenue, Pittsburgh 5, Pa.:

> I am again writing in behalf of the postal employees and a proposed pay raise. The President recommended a 3.2-percent total. I think that there should be something done about the rising cost of food prices. How can anybody hold down wages to a scale of 3.2 percent when the price of pork went up 33 percent, the price of lunch meat went up about 18 percent, and the price of beef went up about 10 percent, and chickens went up about 15 percent. Just today bread went up 2 cents a loaf and that comes out of 6⅔ percent.

It has been well stated in the issue of the Federal Times of March 23, 1966:

> The Federal worker has been selected to be a one-man Army in the war against inflation. This is obvious from a quick look at the pay raise proposal by the President. Not only is it too little, but its effective date is too late.
>
> One factor is certain—the proposed rate won't contribute much to inflation. But, it won't contribute much to morale either.
>
> The administration's avowed aim is to narrow the gap between industrial pay and Government pay. A raise such as the one now being considered is not going to achieve this aim.
>
> The Government ought to be a leader in employee relations. There is no reason why it should not set patterns which could be used by private organizations.
>
> The 1962 Federal Salary Reform Act committed the Government to the principle of comparability. Little has been done since that time to bring about this equality of pay. We believe the increase as now proposed, will serve only to widen the gap.
>
> These are good times from an economic standpoint. Industry is reflecting profits that set records each time they are announced. Workers in the private sector of the economy have reaped major gains in salary and benefits.
>
> If the threat of inflation is real, then it ought to be attacked on a broad front across the whole economy. It is unfair to expect the Government worker to bear the brunt of the cuts while the civilian economy expands around him and forces down his standard of living.

On March 7, 1966, Congress received a message from the President of the United States, House Document No. 402. This message offered recommendations regarding pay, retirement, and other benefits.

As an example this administration offer would establish pay scales for PFS–4 postal clerks from $5,305 to $7,230 inclusive, an increase of $124 to $168 annually, for steps 1 to 12 inclusive. These figures are based on February–March 1965 and offer a 2.4-percent pay increase, for PFS–4 postal employees and does not provide true comparability. This offer would be effective January 1, 1967. The enactment of this Administration offer would be a grave injustice to all postal and Federal employees and would only compound pay losses that could never be recovered.

I support H.R. 12094 by Congressman Paul Krebs. This bill would grant a 7-percent across-the-board pay increase for all postal and Federal employees, effective July 1, 1966. Just for comparison I offer the following observation: Under the Krebs bill (H.R. 12094) a PFS level 4 postal clerk would receive from $5,544 to $7,557 inclusive,

an increase of $363 to $495 annually, for steps 1 to 12 inclusive. This bill would be effective much sooner than the administration offer and would help to rectify some of the injustices to Federal employees.

As we all know the principle of pay comparability has been in existing law since October 1962, but has never been implemented. Since this is a commitment by Congress it should be enforced.

I am sure that the members of this subcommittee are familiar with the following items I will discuss: In the message from the President of the United States, letter of transmittal to the Congress of the United States, House Document No. 402, I note the following:

"Among the many blessings which Americans can count is a corps of Federal civil servants that is unequaled anywhere in the world. Honest, intelligent, efficient, and, above all, dedicated, these men and women represent a national resource and a national asset.

"America expects much of these public servants. We have made vigorous demands on their time and energy. We have exacted from them high standards of work and conduct. We established the principle that Government workers are entitled to a pay scale which compares favorably with pay in private industry." (NOTE.—I agree with most of this statement. However, although the principle was established in October 1962, it has not been enforced.)

"We have been true to the principle of comparability." (According to BLS statistics and elsewhere, true comparability does not and will not exist under the recent pay offer by the executive branch.)

"In the brief period since I have been President, employees of the Federal Government have enjoyed pay increases amounting to nearly 12 percent. These increases have done much to close the gap between compensation for Government employees and those in private enterprise." Again I must disagree. My interpretation of the phrase "These increases have done much to close the gap," certainly means that comparability has not been reached and the gap has not been closed.

During the recent meeting of the AFL–CIO Executive Council a pledge of full support was made to its affiliated postal and Government employee unions in their efforts to secure true pay comparability with private industry. The council stated "We are concerned over the failure of the administration to propose to Congress measures to achieve full current comparability between private industry and Federal Government salaries paid to postal and other Federal workers."

In addition the council said "We firmly believe that the Federal Government, the largest single employer in the Nation, must make certain that its employees enjoy every economic and social advance our country makes." The administration has stated that Government workers are entitled to a pay scale which compares favorably with pay in private industry. We, Congress, have agreed that we believe in true comparability in pay for Federal employees, by the enactment of Public Law 87–793 in October 1962. The administration have stated they favor the principle of comparability but have never recommended or supported salary scales that would enforce this committment. Since many plaudits and compliments have been given Federal employees, I know they would appreciate a 7-percent pay increase, as included in the Krebs bill, effective July 1, 1966. I urge the subcommittee to support and vote for H.R. 12094. I will.

May I also take this opportunity to speak in behalf of the needs of 677,000 retirees and survivors currently on the retirement rolls of the Civil Service Commission.

These people have been described as the "forgotten people" of America. And, in a very real sense, this is true.

I have reviewed the President's statement to the Congress of March 7, 1966, and the brief of the report of the Cabinet Committee on Federal Staff Retirement Systems. I can see very little in these recommendations that will benefit past Government retirees or their survivors.

In the package bill you are now considering, I especially ask an amendment by this subcommittee and propose recomputation of annuities to give parity to past retirees with present workers on the cost of providing survivor annuities.

Why should past retirees have to pay up to 10 times more to protect their spouses after their deaths?

Pennsylvania ranks third in the number of retirees within the Nation. This correction is important to us.

I wish also to call your attention to the 25 or more bills introduced in the first session of this Congress to correct this disparity. I strongly urge prompt and effective consideration to benefit past retirees, as this is only fairness and justice to these fine U.S. retirees.

Gentlemen, again I thank you for this opportunity to speak in behalf of our retired civil service employees.

Mr. UDALL. Thank you, Mr. Fulton, for your helpful testimony. Our next witness is the gentleman from Virginia, Hon. Joel T. Broyhill, a former member of this committee, who has had a great interest in this subject over the years.

STATEMENT BY HON. JOEL T. BROYHILL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. BROYHILL. Mr. Chairman, I welcome the opportunity to appear before this committee to present my views on pending legislation concerned with Federal employee compensation.

The Federal Government is now served by more than 2.5 million civilian employees who each day find their responsibilities increasing as the actions of the Government affect more and more the people of this Nation and the world.

The primary responsibility for the well-being of these employees rests upon Congress, and this is a very heavy responsibility indeed. The findings of this committee in the course of these hearings and the decisions it reaches are, therefore, of great importance.

The overriding task of this committee is to determine a just and equitable pay increase for classified, postal, and certain other Federal employees. This is a complex and difficult problem. It always is.

There is one basic decision, however, that the committee does not have to reach this year. It is whether there should be a pay raise at all.

The belief that an increase in compensation is both necessary and justified is shared by almost everybody—Members of Congress, the administration, employee organizations, and, of course, the Federal employees themselves. Whereas I feel the administration's proposal is far less than what is needed, I reluctantly support this measure for I believe it is the best possible legislation obtainable at this time.

In addition to supporting this proposed increase for our active Federal employees, I sincerely hope the committee, in its wisdom, will also address itself to the more than 677,000 retirees currently on the retirement rolls. I urge my colleagues on this committee to include a provision to allow a recomputation to give parity to past retirees with present workers on the cost of providing survivor annuities. As a number of our colleagues have pointed out, I believe this inequity is among the most glaring and should be corrected at once.

I further urge that my colleagues give favorable consideration to the recommendation made by Mr. Henry J. Stoffer, president of the National League of Postmasters. In essence, this would provide that a postmaster or supervisor should not receive less salary than those he supervises. The widsom of this provision is obvious and its implementation is long overdue.

Mr. Chairman, I thank you for this opportunity to speak in behalf of our deserving workers in the Federal service.

Mr. UDALL. Thank you, Mr. Broyhill. We appreciate your appearance here today. Our next witness is our colleague, Mr. Claude Pepper, a Member of Congress from Florida.

STATEMENT OF HON. CLAUDE PEPPER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. PEPPER. Mr. Chairman, my name is Claude Pepper, Representative, of Florida. My interest concerns the 677,000 Federal retirees and survivors. In the last session of the Congress, I presented facts and statements in their behalf.

In this hearing I wish to support a recomputation relating to costs of protecting former retirees' spouses.

Let us look at the picture of four retirees, each of whom has a basic annuity of $3,600 but retired at different dates and each electing a survivor annuitant.

Date of retirement	Charge against annuity	Amount received by survivor
1. Since Oct. 11, 1962	$90	$1,980
2. Oct. 1, 1956, to Oct. 11, 1962	180	1,800
3. Oct. 1, 1949, to Sept. 30, 1956	[1] 285	1,800
4. Apr. 1, 1948, to September 1949	[1] 360	1,800

[1] Nos. 3 and 4 would also be charged ¾ of 1 percent of basic annuity for each year their wives were under 60 years of age at date of retirement.

The cost of providing annuity to survivor under Nos. 2, 3, and 4 had not been adjusted when this law was liberalized. This means these four retirees are still paying the amounts shown above for the identical benefit, yet No. 1, whose widow will receive $180 per year more than the other 3, is paying much less.

You are urged to include in this "package bill" a recomputation of reduction in retiree annuity under the more liberal 1962 formula (2½ percent on up to $3,600 of annuity, and 10 percent on the remainder and increase survivor annuities to 55 percent of retiree annuities at time of death, will correct this inequity.

I really wonder if Members of this Congress realize or know this disparity exists. Surely it is long past due for correction.

Thousands upon thousands of our retirees and the survivors would benefit by making the correction.

In Florida we have more than 36,000 of the 677,000 retirees. There are near 8,000 in the Miami area. Correction of this disparity would be simple justice.

May I conclude with an urgent request that we do something about it now for these former servants of our Government.

Thank you for hearing me.

Mr. UDALL. Thank you, Mr. Pepper. We appreciate hearing from you on this proposal. The next witness is Mr. John J. Murphy, president, National Customs Service Association. You may proceed Mr. Murphy.

STATEMENT OF JOHN J. MURPHY, PRESIDENT, NATIONAL CUSTOMS SERVICE ASSOCIATION

Mr. MURPHY. Mr. Chairman and members of the committee, my name is John J. Murphy, I am president of the National Customs Service Association. The National Customs Service Association is an independent organization of employees of the customs service at all levels and in all occupations. We have local branches and members at large throughout the mainland United States and in Alaska, Hawaii, Puerto Rico, and the Virgin Islands. We have members, also, in foreign countries where there are U.S. customs facilities.

We are the only organization that has veen accorded formal national recognition under Executive Order 10988 by both the Treasury Department and the Bureau of Customs as representative of employees of the customs service.

Mr. Chairman, we appreciate the opportunity to appear before you to present our views on the need for a salary adjustment for Federal employees and to comment on fringe benefit legislation now before you. We wish to thank Congressmen Udall and Daniels for holding these joint hearings. We appreciate the action of the many Members who have sponsored legislation to bring about salary increases and other benefits.

Mr. Chairman, our statement will be brief as we wish to avoid repeating what has already been said. We will limit ourselves to making a few points:

1. Pay: In our view a pay adjustment of not less than 3.5 percent across the board, effective March 1, 1966, is fully justified. To our mind, Federal employees are now more than 2 years behind comparability and for all practical purposes the fine concept of comparability is but a myth. We do not believe that a pay increase at this time will, in any manner, violate economic guideposts. The guideposts, as we understand them, are to limit salary raises above a certain level. This level is the comparability not yet achieved by Federal employees.

2. Retirement: We strongly support the proposal to permit retirement without age penalty at age 55 with 30 years of service. We believe that service rather than age should determine retirement and look forward to eventually having full retirement after 30 years' service at any age.

We cannot support, in its present form the proposal that the Government be permitted to retire employees at age 55. We believe that there are other means at the command of management to solve the problem of employees whose performance may be marginal. Unless there are some meaningful review and appeal provisions, we fear possible abuse of the compulsory retirement option.

3. Health benefits: We favor the recommendation that the Goverment and the employee share equally the cost of the health insurance program. This is equitable to all concerned and is a long-overdue improvement in the plan. It is our hope that the Government's share will be increased in the future to bring it more in line with private industry practices.

4. Life insurance: We strongly support H.R. 11879, introduced by Congressman Daniels, a bill that will make many needed changes in the present retirement law. We feel that the recommendations made by the President's Cabinet Committee are completely inadequate.

Mr. Chairman, we greatly appreciate this opportunity to present our views, and wish to express our gratitude to you and the members of the committee for your patience and sympathetic understanding. Thank you.

Mr. UDALL. Thank you, Mr. Murphy. Your presentation has been most helpful. Our next witness today is Mr. Russell M. Stephens, president, American Federation of Technical Engineers.

STATEMENT OF RUSSELL M. STEPHENS, PRESIDENT, AMERICAN FEDERATION OF TECHNICAL ENGINEERS

Mr. STEPHENS. Good morning, Chairman Udall, and members of the Subcommittees on Compensation and Retirement, Insurance, and Health Benefits.

For purposes of identification my name is Russell M. Stephens. I am national president of the American Federation of Technical Engineers, AFL–CIO, with offices at 900 F Street NW., Washington, D.C. Our union was chartered the AFL in 1918 and since that time we have represented professional engineering, technical, and scientific personnel employed in private industry and in public agencies, including the Federal Government. Among the employees of the Federal Government whom we represent are persons employed in the occupations stated above in various industrial facilities of the Federal Government. These are the men who provide designs and plans for the construction of naval vessels, guided missiles, electronic gear, and much of the hardware required by our defense effort. In addition we represent engineering and technical personnel associated with the planning of reclamation projects, public works, and other necessities of American life.

Our organization, like others in the American labor movement applauded the enactment of the Federal Employees' Salary Reform Act of 1962, Public Law 87–793, and the sensible approach to Federal salary fixing that had been recommended by the Kennedy administration. Indeed, we still support the basic principle enunciated in that act, of salary comparability with private industry scales. This method, if properly utilized, is adaptable to changing economic conditions of the marketplace and would reflect both cost-of-living

adjustments and productivity improvements. We are, however, disheartened over the fact that we are now in the year 1966, nearing the fourth anniversay of the comparability principle, and as yet there has been no real catch-up. The administration has again this year asked its employees to wait until economic conditions change before there can be a real catch-up to bring them on a par with private industry. I must admit that as a labor leader I have yet to be convinced that the administration's wage guidelines are fair and equitable to the worker, as long as there are no controls over high executive salaries and no control over prices except in isolated instances. But it is not my intention at this hearing to debate the equity of the guidelines. I do, however, wish to point out that irrespective of the policy of wage fixing as the guidelines would suggest, employees already suffering inequities as proven by the Government's own figures in the Bureau of Labor Statistics salary survey, have the right to a catch-up with their counterparts in private industry before any controls should be imposed. I might add, that if this Congress should enact legislation that would bring the Federal employee up to comparability based upon the latest BLS survey, the employees would still be behind prevailing rates because the latest survey is now a year out of date. Then again, the administration proposal that any change in salary schedule be deferred until January 1, 1967, puts the Federal employee an additional year behind.

The administration has recommended a salary adjustment which would average out at 2.85 percent increase. The administration's recommendation is that the 2.85 percent available for such increase be scheduled on a sliding scale so as to bring the middle and upper grade employees who suffer the greatest inequity in comparability a little closer to the final realization of the intent of Congress and its pledge to Federal workers in 1962. Various witnesses before this committee have suggested that the 2.85 percent increase be apportioned on a flat percentage basis. I must agree with them that the lower paid Federal employees require at least the 2.85 percent in order to maintain their families properly without country club living and luxuries. I would not subscribe to the theory that employees in the middle and upper grades should receive any less of an increase than the percentage figure recommended by the administration. Our members are all aware of our struggle in Vietnam and the tremendous cost to the Government imposed by that struggle. No hardship is too great a penalty for the preservation of our freedom, and our members are willing to assist their Government in its fight against inflationary trends. Many of our engineering and technical personnel are classified in the middle and upper grades of the salary schedule and we feel that as a minimum we deserve no less than what the administration has proposed and we trust that this committee will keep this in mind.

Only last week, reported in the Federal Register of March 17, 1966, under the authority of section 504 of the Federal Salary Reform Act of 1962, the Civil Service Commission increased the minimum salary rates and rate ranges for GS–6, GS–7, GS–8, and GS–9 professional engineers and architects, certain scientific series and a limited number of technician disciplines in order to recruit personnel in these positions.

These are, generally speaking, the entrance rates in these classifications, the grade level being dependent upon the degree of formal education, whether the employee holds a bachelor's, master's, or doctor of philosophy degree, and the years of experience of the employee. This increase in minimum rates was made necessary to compete with private industry for the services of this type of worker and clearly illustrates the disparities between the salaries offered by private industry and those by the Federal Government. The same disparity is true, but to a larger degree, with respect to employees at higher levels, but recruitment is not generally done at the higher levels; therefore professional engineers, scientists, and technicians above GS–9 must suffer a great inequity as compared to his counterpart in private industry.

Our organization has for many years, along with other AFL–CIO unions of the Government Employes' Council, advocated the right of Federal employees to retire without reduction of annuities after 30 years of service at 55 years of age. We were elated to hear the Chairman of the Civil Service Commission in testimony before this committee advocate such a principle. We do not endorse the advocacy of the administration, however, that hand in hand with such policy a provision be added permitting agencies of the Federal Government to automatically force the retirement of employees at GS–13 and above at age 55 against their will. This is especially onerous in that no recommendation has been made which would establish a procedure whereby an employee could appeal such forced retirement. We do advocate the proposal of the administration that social security credits be granted to Federal employees who have not worked long enough under the civil service retirement system to obtain a vested interest.

We also are happy to endorse the proposal made by the administration to up-date the Government's contribution to the health insurance program. In these days of rising hospital and surgical costs, it is necessary that employees be covered by an adequate health benefits program. The rising costs of the program, however, have made it very difficult for the Federal employee to pay his share of the costs and the administration's recommendation to relieve the employees of a greater portion of this obligation is indeed an excellent suggestion. Chairman Macy testified to a great extent on this item. We endorse in principle all that he said, but with one reservation. In many of our union contracts, health benefits are provided by private employers at no cost whatsoever to the employees. In order to move in part in the direction of comparability, we would suggest that the Government's share of health benefits programs be increased to 50 percent.

Last year when the Congress enacted Public Law 89–301 it wrote into the law the following declaration of policy:

> To the maximum extent practicable, the head of any department, independent establishment, or agency, including Government owned or controlled corporations, or of the municipal government of the District of Columbia, or the head of any legislative or judicial agency to which this title applies, shall schedule the time to be spent by an officer or employee in a travel status away from his official duty station within the regularly scheduled workweek of such officer or employee.

We still find that many employees, despite the above, are still required to travel on behalf of their agencies during their off-duty hours. At one location where we represent the engineers and technicians and

where we have exclusive recognition under Executive Order 10988, the employees were even denied their subsistence pay because they did not return to their home location from a European assignment over an off-duty weekend.

With respect to overtime pay, we still find that because of an outdated procedure engineers and technicians in the nonsupervisory levels receive less than straight time earnings for working beyond the 40-hour week. At the present time, time and one-half penalty pay is afforded to employees, with the maximum hourly compensation being based upon the first step of the GS–9. We recommend that this be amended to increase the maximum level on which full time and one-half is paid to the minimum of the GS–12 grade.

I am indeed grateful to have had the opportunity to express the views of our federation before this distinguished committee. I have full confidence that you will give earnest consideration to my statement. Thank you.

Mr. UDALL. Thank you, Mr. Stephens, for your interesting and helpful presentation. The final witness today is Mr. Charles A. Caffrey, chairman, Council of Federal Professional Organizations.

STATEMENT OF CHARLES A. CAFFREY, CHAIRMAN, COUNCIL OF FEDERAL PROFESSIONAL ORGANIZATIONS

Mr. CAFFREY. Mr. Chairman and members of the subcommittee, I am Charles A. Caffrey, chairman of the Council of Federal Professional Organizations. I am here today to speak on behalf of the professionals in the Federal Government—to delineate their problems, give voice to their needs and to ask for that which, I feel, is only right and just.

The council is a relatively new association. Yet in the short 6 months of its existence it has drawn into the circle of its deliberations professional organizations from among the following Federal agencies: Federal Aviation Agency, Federal Trade Commission, Interstate Commerce Commission, National Aeronautics and Space Administration, National Labor Relations Board, and the U.S. Patent Office.

We feel the council can speak on the matter under consideration by this committee not only for the 4,000 professionals who make up the membership of these organizations but also for the tens of thousands of other Federal professionals who, as yet, have no one to represent them before this body.

We will not belabor our testimony with statistics which undoubtedly, you have heard repeated again and again during these past weeks of hearings. We pause only to mention that these figures, gathered at great expense by the Government's own Bureau of Labor Statistics, tell a story and define an inequity far more clearly and graphically than anything that can be said here. Our testimony, in truth, is mere counterpoint to the theme developed so completely in the Bureau of Labor Statistics tables. If this be the case, it might be asked why we are here seeking your attention. We have come because past experience has shown that facts, no matter how clear, are often submerged in a flood of words from those who find those facts unpleasant, because too often the well organized and therefore powerful representatives of the more numerous lower grades have achieved that

which flies in the face of equity, and this usually at the expense of the middle and upper grades and, finally, because there has been a dearth of those who would speak, unequivocally, for the Federal professionals. These are the reasons for our existence; these are the reasons why we are present today to state the obvious.

Here then is what we consider to be obvious: First, Federal employees in the middle and upper grades, the bulk of whom are the professionals we represent, are being paid at rates significantly less than their equivalents outside of Government. Second, the degree of this disparity is steadily increasing, year by year, to the point where true comparability seems almost unattainable. Third, the greater the difference between industry and Government pay scales, the greater the difficulty in obtaining and retaining sufficient professionals for Federal service—a difficulty all too apparent even now in some agencies. Fourth, the inevitably requested "across the board" pay increases do not mitigate the comparability problem; they rather magnify it, since they engender a frustration and dissatisfaction among Federal professionals that materially enhances the desirability of non-Government jobs.

We come before you, therefore, in basic support of the President's pay recommendations. We do this not because, if enacted, they will achieve comparability, since they obviously will not; nor because they will even take a significant step toward comparability achievement, since they will not do this either. We seek enactment of the President's recommendations in the single hope that by doing so at least the concept of comparability can be kept alive; that Congress, thereby, will reaffirm its intent, someday, to make right that which cries out for remedy.

Some have come before you and said that comparability is dead. If so, then the cancer of mediocrity and uniformity which caused this demise will surely work its way through the proud edifice of Federal service and finally render it incapable of excellence. All of us, Government worker and non-Government worker alike, will be the ultimate victims of this glorification of sameness.

It is not much that we ask. In actuality, it is little more than a showing of good faith. The President submitted his proposals as being reasonable, desirable, and within the wage-price guidelines he has established. We hasten to point out that it is manifestly unfair and amounts to discrimination to apply such guidelines to those whose salaries are universally recognized as being far less than they should be. Nevertheless, being mindful of the realities of the world situation, we feel it incumbent upon us as patriotic citizens to acquiesce to the President's proposals, even though, in principle, we feel that much more substantial increases in the middle and upper grades are justified. So it is that we beg your favorable consideration of his proposals and request the inclusion of a graduated pay raise scale in any bill that you recommend.

Parenthetically, I would like to add the council's voice to that of others who have appeared before you and urge the adoption of an earlier effective date than the proposed January 1, 1967. July 1, 1966, is much to be preferred.

Additionally, regarding the fringe benefits, the council finds merit in and wholeheartedly supports optional retirement at age 55 with

30 years' service. We do feel, however, that insofar as the forced retirement provisions are concerned, adequate safeguards such as a showing of good cause and appeal rights should be provided.

In conclusion then, let this be said—the professionals in Government for far too long have been put off with promises of comparability. It may be that we cannot expect at this time the fulfillment of these promises. Surely, however, it is not too much to expect that there be some "payment on account." This is all that we seek.

Mr. UDALL. We appreciate having you appear before the subcommittee today, Mr. Caffrey.

The Chair has statements from the gentleman from California, Mr. Dyal, and the gentleman from Utah, Mr. Burton. Without objection, they will appear in the record of these hearings at this point.

(The statements referred to follow:)

STATEMENT OF HON. KENNETH W. DYAL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, my name is Ken W. Dyal, Representative of the 33d Congressional District, California. My interest concerns the 677,000 or more Federal retirees and survivors. Cost-of-living increases hurt our Federal retirees with fixed incomes. Thousands of our Government retirees have very low annuities. This is due to two causes; the first being increases in living costs and the other being charges against their annuities.

The National Association of Retired Civil Employees is the champion of these former Federal workers. They have asked the Congress through the years to introduce bills in their behalf. They are just as much interested in being fair to the Federal Government as they are to the retirees. We are presently considering a package bill to aid the Federal worker and the retiree. I urge that a section of this package bill include a recomputation of the cost to former Federal retirees who in some cases pay as much as 10 times more than today's retirees to protect their spouses. Numerous bills covering this objective were introduced in the first session of this Congress. My bill is H.R. 4162.

A section of the "package bill" to recompute the reduction in retiree annuity under the more liberal 1962 formula (two and a half percent on up to $3,600 of annuity, and 10 percent on the remainder) and to increase survivor annuities to 55 percent of retiree annuities at the time of death will correct inequities. In California we have over 75,000 Federal retirees—now more than 10 percent of all Federal retirees. So you can easily see the reason for my great concern and interest in these deserving folks.

As I stated last year before this committee, California, because of its climate and congenial environment, is the goal of many retirees. While it is true there is a heavy concentration of retirees in California, I plead consideration for these people regardless of their retirement residence.

Thank you, Mr. Chairman, for permitting me to offer this statement concerning this urgently needed corrective legislation.

STATEMENT OF HON. LAURENCE J. BURTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH

Mr. Chairman, I appreciate the privilege of appearing before this subcommittee to speak in support of the legislative program of the National Association of Retired Civil Employees.

There is rising alarm in this country regarding the unmistakable spiraling of living costs. This is a matter of concern to all of us. Every housewife is feeling it when she goes to the grocery store. Every breadwinner is aware of it when it comes time to make the paycheck cover the bills.

But the groups that have the greatest cause for alarm at rising living costs are those who have fixed incomes and little opportunity to make their earnings increase to meet the costs. One such group is made up of those who are retired on fixed incomes, and this group is deserving of help.

One area of particular concern for the retired civil employee is that of survivor benefits. It is reasonable that the retired worker should desire to provide for benefits to take care of widows or other dependents in the event of the retiree's death. Those who have retired from civil service positions in recent years are able to do this at a rather reasonable cost—two-and-a-half percent deduction from their annuities. But many persons who retired more than 10 years ago still are able to provide survivor benefits only by a 25-percent deduction. In addition, survivors of former employees who retired before October 11, 1962, receive only half the annuity paid to the spouse. Survivors of more recent retirees receive 10 percent more.

The requests of the National Association of Retired Civil Employees are that (1) annuities of all persons who retired before October 11, 1962, and who elected to provide survivor annuities be recomputed to give them the benefit of the more liberal formula authorized since that date, of two-and-a-half percent on up to $3,600 of annuity, and 10 percent on the remainder; (2) annuities of survivors of former employees who are now receiving or are eligible for less than 55 percent of the annuities of the former employee, be recomputed to provide 55 percent of the annuities at the time of death of the retiree. The association also favors an increase in the percentage of the survivor annuity to be awarded to all present survivor annuitants as well as those who will become survivor annuitants in the future.

Mr. Chairman, these seem to me most reasonable requests, and I urge that your committee take favorable action on the association's program.

Mr. UDALL. At this time, without objection, the following letters which have been submitted will be inserted in the record.

(The letters referred to follow:)

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMPENSATION OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C., March 17, 1966.

Hon. JOHN W. MACY, Jr.,
Chairman, U.S. Civil Service Commission,
Washington, D.C.

DEAR MR. CHAIRMAN: During the course of the pay hearings, a number of employee organization witnesses have complained about the failure of the administration to put into effect the additional uniform allowance provided by the 1965 Pay Act.

Typical of the complaints was the testimony of Mr. Nathan Wolkomir on March 14, which I presume you have reviewed.

Several committee members have voiced disappointment and concern, and there is some talk of inserting strong language in the current bill or in the report.

It would be very helpful to me if, before the hearing record closes, I could have a letter report from you explaining why the employees have not received the benefit of this additional allowance and what action is planned to make it effective.

Sincerely yours,

MORRIS K. UDALL, *Chairman.*

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., March 23, 1966.

Hon. MORRIS K. UDALL,
Chairman, Subcommittee on Compensation,
Committee on Post Office and Civil Service,
House of Representatives, Washington, D.C.

DEAR MR. UDALL: This is in reply to your letter of March 17, 196 regarding the increase in the maximum uniform allowance which was provided by the Federal Employees' Salary Act of 1965.

This is a subject over which the Civil Service Commission has no jurisdiction. The Bureau of the Budget issues regulations implementing the law.

It is apparently the administration of the allowance by the Post Office Department which has led to the complaints voiced by witnesses appearing before your committee. We understand that you have asked that Department to furnish information on the subject directly. I believe that I can add nothing to what the Department will report.

A member of the Commission's staff has inquired informally about the situation in two other agencies which pay uniform allowances. We find that the Department of Agriculture has changed its departmental regulations to reflect the new maximum permitted by the law. That Department has found the increased rate necessary to cover the cost of uniforms for some of its employees. The General Services Administration, on the other hand, while it authorizes allowances which are adequate to cover the cost of uniforms prescribed for craftsmen, custodial workers, vehicle drivers, and certain other employees, has not had to establish rates as high as the old maximum. The General Services Administration reviews the allowance rates annually, on the basis of the cost of prescribed uniforms.

The General Services Administration does not pay an allowance to guards. It furnishes the uniforms to the employees, maintains them, and replaces them as necessary.

Sincerely yours,

JOHN W. MACY, Jr., *Chairman.*

POST OFFICE DEPARTMENT,
ASSISTANT POSTMASTER GENERAL,
BUREAU OF PERSONNEL,
Washington, D.C., March 23, 1966.

Hon. MORRIS K. UDALL,
Chairman, Subcommittee on Compensation,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: During the course of the hearing you have been conducting on pay legislation this year, some witnesses have brought to your attention the fact that, as of this date, the Post Office Department has not increased the monetary allowance authorized to certain employees required to wear a prescribed uniform. Under the provisions of Public Law 89-301, enacted October 1965, agency heads were authorized to spend for each employee for uniform purchases a maximum of $125 a year in lieu of the former maximum of $100 a year.

Since enactment of Public Law 89-301 we have given much attention to the most equitable and efficacious means of implementing the increased authority granted by Congress.

We have held a series of meetings with representatives of employee organizations and with key members of the uniform manufacturing and retailing industry to review such matters as alternative means of uniform acquisition, prices for uniforms, methods of precluding disciplinary problems arising out of the current allowance system, etc. Because any change would have a most profound effect on employees and the uniform industry we wished to thoroughly air all of the issues. These meetings produced a number of significant facts for review as to industry ethics, licensing of vendors, price restraint, contracting for certain garments, reimbursement procedures, quality control, standardization of uniforms, and administrative costs. These matters are now being analyzed to determine what changes we will undertake.

During the course of these meetings, we repeatedly assured our employee organizations that we wished to negotiate with them an adjustment which would be fair and sound both to the employee and his Government and that such negotiations would be taken up as part of the negotiations of our national agreement which, incidentally, are now underway.

I believe our discussions with the leaders of the uniform industry and employee representatives on the administration of the uniform allowance program have been of tremendous value and basic to any negotiations on adjustment of the allowance. While the law authorizes the Postmaster General to set the maximum allowance appropriate for each category of uniformed employee, as a matter of past practice we have established the precedent of discussing the matter with employee representatives to reach an accord on the amount of the allowance.

As an indication of our sincerity in this regard, our supplemental appropriation request, now pending before Congress includes additional funds to provide for an increased expenditure in the uniform allowance program this fiscal year.

Employee organizations will be notified this week that we are ready to negotiate the uniform allowance with them. I cannot advise at this point what the results of the negotiations will be. I do believe, however, that an adjustment is clearly in order for the new employee.

We appreciate your bringing to our attention your great concern over the uniform allowance program and I will inform you of the results of our new negotiations.

Sincerely yours,

(Signed) RICHARD J. MURPHY,
Assistant Postmaster General.

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMPENSATION OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C., March 21, 1966.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: In accordance with our informal conversation on March 7, with respect to the President's 1966 Federal employees' salary message, I am enclosing for your information a committee print embodying the President's proposals which I have had prepared for consideration by all parties concerned.

I have not yet introduced a bill to carry out the President's recommendations, because both the language and the principles involved have not yet, in my judgment, been firmed up sufficiently for that purpose. The committee print is a tentative draft, from which our committee members will work toward a clean bill to be introduced, and I hope it will serve your purposes as well.

That part of the President's recommendations which would provide social security protection for Federal employees is contained in part V, beginning at page 69 of the committee print. Although part V covers only nine pages, I think you will agree that it is a key principle of the President's recommendations. Therefore I will very much appreciate your considering it, particularly from the standpoint of whether or not your committee would have any objection if our committee were to include this feature along with the entire Federal employee package recommended by the President.

We would want, of course—if your committee has no objection—to have the advice and assistance of your committee staff in our own study of this social security feature, in preparing for the markup of a bill to be introduced, and in the writing of that part of a committee report dealing with part V. The committee print was received from the printer over the weekend, during my absence, and I am informed that copies have already been sent the chief counsel of your committee and Mr. Saperstein of the Social Security Administration.

Today I was informed of the Speaker's interest in early consideration of this whole measure, so I have scheduled our subcommittee executive sessions for markup of a bill on Wednesday and Thursday of this week, March 23 and 24. We hope to be able to report a bill for consideration by the full Committee on Post Office and Civil Service in executive session next Tuesday, March 29, so that the bill may be reported promptly to the House.

With deep appreciation for your cooperation and assistance, I am,

Sincerely yours,

MORRIS K. UDALL, *Chairman.*

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D.C., March 22, 1966.

Hon. MORRIS K. UDALL,
Chairman, Subcommittee on Compensation of the Committee on Post Office and Civil Service, House of Representatives.

DEAR MR. CHAIRMAN: Pursuant to your request in your letter dated March 21, the Committee on Ways and Means met this afternoon to consider part V of your committee print dated March 19, 1966.

After some discussion, it was decided that Mr. Byrnes, Mr. Keogh, Mr. Broyhill, and I would each introduce in the House today, if time permits, bills which would embody part V of your committee print. The Committee on Ways and Means felt, as you indicated in your letter, that the matters covered in part V are within the jurisdiction of this committee and should be handled by this committee.

I am sure you are aware of the fact that our committee directed the Department of Health, Education, and Welfare and the Civil Service Commission some time ago to study the subject of the coverage of civil service employees under the social security system. A joint report dated March 13, 1965, was submitted to our committee on this subject. However, the Department of Health, Education, and Welfare, in connection with our consideration of the matter last year, requested that we take no action until the special Cabinet Committee had completed its review of the matter. On March 7 of this year, the report of the President's Cabinet Committee on Federal Staff Retirement Systems was made public. The Committee on Ways and Means has not had time to review this report. There are many problems of relationship of the two systems of which this committee has taken note in the past, and the view was expressed that we would prefer to act overall rather than on a piecemeal basis.

While this is not within the jurisdiction of the Committee on Ways and Means, in our discussions today it was also decided that we should alert you to the fact that the proposal in your committee print, relative to insuring that civil service benefits shall be no less than the social security benefits that would have been payable if the Federal employment had been covered by social security, is an area that you should consider with some caution. Our reason for this is the experience under a similar provision which is contained in the Railroad Retirement Act, which is also not within our jurisdiction. In the Railroad Retirement Act provisions, any general change which we make in social security benefits has an effect, due to the automatic features of the Railroad Retirement Act, on railroad retirement benefits. This, to say the least, has become somewhat awkward to us because we are very concerned that we might affect railroad retirement benefits in such a way as to have an adverse impact upon the actuarial soundness of that system. We believe that you should consider any potential problems along this line which might be created should such an automatic provision be put into your bill relative to a change in civil service benefits due to any future general change which we might make in social security benefits.

We are most appreciative of your consideration in bringing these provisions which are within our jurisdiction to our attention.

Sincerely yours,

WILBUR D. MILLS, *Chairman.*

HOUSE OF REPRESENTATIVES,
Washington, D.C., March 24, 1966.

Hon. MORRIS K. UDALL,
Chairman, Subcommittee on Compensation,
House Post Office and Civil Service Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: I would like to express my interest in the hearings being conducted by your committee regarding the compensation of Federal employees.

It is the opinion of many of my constituents and myself that the standards set forth in the Federal Pay Act of 1962 have not been met. One group in particular, the Postal Union of Providence, R.I., has expressed its opposition to the proposals for compensation of those in the lower grades and the inadequate contribution of the Federal Government toward hospital premiums.

I would greatly appreciate your committee's consideration of these matters.

With warmest regards, I remain,

Yours sincerely,

FERNAND J. ST GERMAIN,
Member of Congress.

Mr. UDALL. There being no further witness scheduled, we will stand adjourned, subject to the call of the Chair.

(Whereupon, at 10:22 a.m., the hearing was adjourned.)

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